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ABSTRACT

These hearings, part 4 of hearings on the kind of services children receive through charity; how charities obtain funds from the public; and how much they spend on fundraising, general management, and program services, focus on voluntary foreign aid agencies serving children and youth. Testimony was given by a number of representatives of the U.S. General Accounting Office, U.S. Aid, Children's Committee, American Council of Voluntary Agencies; Advisory Committee on Voluntary Foreign Aid; Holt Adoption Program, Inc.; Save the Children Federation; Foster Parents Plan; and Christian Children's Fund, Inc. "Additional Information" includes statistics, and newspaper and periodical articles. Appended are the statements of representatives of the agencies about whom testimony was heard, the General Accounting Office report on five children's charities, and the responses of the General Accounting Office to specific subcommittee questions. (JM)

ED101032

CHILDREN'S CHARITIES, 1974

HEARINGS

BEFORE THE

SUBCOMMITTEE ON CHILDREN AND YOUTH

OF THE

COMMITTEE ON
LABOR AND PUBLIC WELFARE
UNITED STATES SENATE

NINETY-THIRD CONGRESS

SECOND SESSION

ON

EXAMINATION OF THE KIND OF SERVICES CHILDREN RECEIVE THROUGH CHARITY, HOW CHARITIES OBTAIN FUNDS FROM THE PUBLIC, AND HOW MUCH THEY SPEND ON FUND-RAISING, GENERAL MANAGEMENT, AND PROGRAM SERVICES

PART 4

VOLUNTARY FOREIGN AID AGENCIES SERVING CHILDREN AND YOUTH

OCTOBER 10, 1974

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EDUCATION & WELFARE
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CHILDREN'S CHARITIES, 1974

THURSDAY, OCTOBER 10, 1974

U.S. SENATE,
SUBCOMMITTEE ON CHILDREN AND YOUTH OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:01 a.m., in room 4232, New Senate Office Building, Hon. Walter F. Mondale, subcommittee chairman, presiding.

Present: Senator Mondale.

Staff members present: Ellen Hoffman and A. Sidney Johnson III, professional staff members.

Senator MONDALE. The subcommittee will come to order.

This morning we continue our hearings on charities and voluntary agencies serving children and youth, emphasizing particularly the role of such agencies serving children in foreign lands, but soliciting funds from Americans.

I would like to repeat as I have in earlier hearings that it is not just my purpose, but the purpose of the committee, to strengthen the role of private voluntary organizations, not to weaken them. Our purpose is to assure that the money given for these children is received by them and used for their benefit and not diverted or wasted in other ways.

Our first witness is Mr. James A. Duff, Associate Director of the International Division of U.S. General Accounting Office, who will report to us on the findings of the GAO of a survey taken by them at the request of the committee.

Mr. Duff, please proceed.

STATEMENT OF JAMES A. DUFF, ASSOCIATE DIRECTOR, INTERNATIONAL DIVISION, U.S. GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY EUGENE C. WOHLHORN, ASSISTANT DIRECTOR, GAO; DOMINICK A. BINETTI, ASSISTANT DIRECTOR, INTERNATIONAL DIVISION, GAO; AND L. NEIL RUTHERFORD, PROJECT MANAGER

Mr. DUFF. Thank you, Mr. Chairman.

I am pleased to be here this morning to discuss the results of our examination.

I would like to introduce the people who are with me today at the table. To my right is Eugene Wohlhorn and to my left is Mr. Dominick Binetti. They are the two assistant directors who were responsible for the overall review and supervision at the Washington level, and

Mr. Neil Rutherford, who was the project manager out of our Seattle office that carried out the field work.

Mr. Wohlhorn has made visits to the domestic headquarters of the Children's Christian Fund and the Holt Adoption Program. Mr. Binetti has visited the domestic headquarters of the American Korean Foundation and the overseas audit sites in Mexico and Colombia.

Mr. Rutherford's travel on this assignment has included the domestic headquarters of all of the voluntary agencies included in the review and all overseas audit sites except those in Latin America.

Our examination was made at your request, Mr. Chairman, to determine whether the Advisory Committee's registration and compliance activities are effectively protecting the children assisted by voluntary agencies and the American public that so generously supports these agencies with their contributions.

The Advisory Committee: The Advisory Committee on Voluntary Foreign Aid succeeded the President's War Relief Control Board and was established by a 1946 Presidential directive to tie together governmental and private programs in foreign relief and have them work with interested agencies and groups. The committee is attached to AID and consists of 11 citizens from the public sector appointed by the AID administrator.

The Committee meets 5 to 10 times a year, relying primarily on staff support from AID for the day-to-day administration of the registration program. AID, however, provides only three full time staff members.

The Committee charter states that its objective is "to serve as a focal point for relations between the U.S. Government and U.S. private voluntary organizations active in the field of relief, rehabilitation, and development overseas."

Its duties as outlined in the charter may be briefly described as follows:

To register qualified U.S. private nonprofit organizations voluntarily seeking and accepting registration.

To insure the trustworthiness of registered agencies to the public and to maintain and publish a register of such organizations.

To provide information and advice to AID and other U.S. Government agencies relating to foreign assistance in which U.S. Government and private voluntary organizations interact.

To provide assistance to private and voluntary organizations working abroad on problems and issues in their relations with AID and other Federal agencies.

To foster public interest in voluntary foreign aid.

The register maintained by the committee constitutes the authoritative listing of organizations which may apply to the U.S. Government for receiving agricultural commodities under Title II of Public Law 480 and Government-owned excess property and reimbursement of ocean transportation charges for donated supplies shipped overseas. Registration is not required for other forms of government assistance.

During the Advisory Committee's latest 12-month reporting period, registered agencies obtained some $680 million in funds and material aid from private organizations, individuals, and the U.S. Government to support their programs—$473 million from private contributions and $208 million from the U.S. Government.

From these combined resources more than $580 million was expended for overseas programs in agriculture and rural development, community development, family planning, health, and nutrition, housing construction, refugee assistance, relief, and rehabilitation, vocational education, and related projects. These projects were carried out in over 100 different countries.

The U.S. Government contribution to registered agencies during this reporting period, exclusive of $40 million of contracts and grants, included food donations worth $124 million, reimbursement for ocean freight costs amounting to $43 million, and provision of excess property having an original acquisition cost of $1 million. Exhibit A provides additional detail of U.S. Government support to registered agencies.

The voluntary agencies: A voluntary agency is defined by the American Council of Voluntary Agencies for Foreign Service, Inc., as "a nonprofit organization established by a group of private citizens for a stated philanthropic purpose, and supported by voluntary contributions from individuals concerned with the realization of its purpose."

The American Council has identified at least 130 voluntary agencies in the United States. Also, more than 300 other U.S. nonprofit organizations are involved in development assistance abroad designed to improve socioeconomic conditions, establish local institutions toward that end, or enhance human resources.

As of December 31, 1973, 91 voluntary agencies were registered with the Advisory Committee.

Senator MONDALE. Would it be fair to say that private organizations which register with the Advisory Committee tend to be the larger charities engaged in charitable efforts or is this not the pattern?

Mr. DUFF. I believe that is so, Mr. Chairman.

Senator MONDALE. So that while there are many other organizations involved in such activities in addition to the 91 registered, those would tend to be the major organizations involved in foreign services?

Mr. DUFF. I believe that is correct, Mr. Chairman.

We made our review at the office of Private and Voluntary Cooperation, AID, Washington, D.C., and at the headquarters offices of the five voluntary agencies you asked us to review—American-Korean Foundation, Inc., New York, N.Y.; Christian Children's Fund, Inc., Richmond, Va.; Foster Parents Plan, Inc., Warwick, R.I.; Holt Adoption Program, Inc., Eugene, Ore.; and Save the Children Federation, Inc., Norwalk, Conn.

Overseas work included visits to selected projects and locations in seven countries—three in Asia, two in Latin America, and one each in Africa and Europe. Exhibit B lists these countries and the agencies reviewed.

The registration program: The advisory committee regulations governing registration of voluntary agencies provide that any individual or nongovernmental organization engaged in nonprofit activities in the United States may apply for registration to further or engage in voluntary nonreligious aid outside the United States.

The applicant must establish that its primary purpose is to engage in voluntary foreign aid and that it:

Is a U.S. organization controlled by a responsible body which exercises satisfactory controls to assure that its services and resources are administered competently in the public interest.

Will submit financial reports required by the Committee and proof that contributions to it are tax deductible.

Will undertake only activities consistent with the accomplishment of objective filed with the Advisory Committee.

Will obtain, spend, and distribute its resources ethically, without unreasonable cost for promotion, publicity, fund raising, and administration.

Senator MONDALE. These are regulations adopted by the Committee, presumably establishing conditions for agencies registering with the AID Committee?

Mr. DUFF. That is correct, Mr. Chairman.

Senator MONDALE. In your opinion does AID or is this AID Committee capable now or are they fulfilling or seeing to it that these requirements are fulfilled fully?

Mr. DUFF. As the Committee is now established and staffed, we do not believe it can and we feel it has not.

Senator MONDALE. You can carry on. I know you amplify it later, but I think it just lays out the charter that they themselves have established in dealing with agencies that register with them. I gather your later testimony compares their activities with these standards?

Mr. DUFF. Yes sir.

The Advisory Committee does not have the authority to require any voluntary agency to register. As indicated by the above statistics, only a small percentage of nonprofit organizations involved in overseas development assistance have voluntarily registered.

However, as you pointed out, Mr. Chairman, they are the larger agencies.

Obviously, the Advisory Committee cannot assure the public of the trustworthiness of the many agencies that are not registered.

Reasons voluntary agencies apply for registration: The Advisory Committee studied the reasons voluntary agencies apply for registration, and from the review of 33 recent applications, it found that general recognition was given as a reason for registering nearly twice as often as eligibility for government assistance.

The most frequently cited examples of recognition were "public standing, prestige, and facilitation of fund raising." Exhibit C gives the complete results of this study.

The importance of this registration process to the public was recognized in a recent Advisory Committee report, which stated that:

> The most direct significance of voluntary agency registration to the American public is in the implied assurance of credibility, efficiency, and effectiveness of the agency, and the confidence it imparts to an individual that his contribution will be properly applied to the purpose he favors.

The report also points out the Advisory Committee frequently receives inquiries from the American public as to the trustworthiness of soliciting agencies.

Senator MONDALE. What do they do with those requests?

Mr. DUFF. I believe they tell them they are registered with the Committee.

Senator **Mondale**. Do they say they are trustworthy? I guess we are going to have a witness shortly representing the Committee. Perhaps they would respond to that question.

Mr. **Duff**. I am not prepared to reply except to state that they are registered with the Committee.

Senaor **Mondale**. If they get mail from the public saying, "What do you think of this charity registered with you?" I would be interested in knowing how they respond to that mail or how they respond to other inquiries.

Mr. **Binetti**. I believe we asked that question. We were told that if the agency about which the inquiry is being made is registered, they state that fact and also include some promotional literature that they might have on hand.

Senator **Mondale**. They do not go beyond that to certify their trust or worthiness?

Mr. **Binetti**. No, sir.

Senator **Mondale**. I would like the Committee witness who is coming up next to respond to that.

Mr. **Duff**. We believe that the Committee should encourage registration if it is to carry out its responsibilities for fostering public interest and trust in voluntary foreign aid programs.

The Advisory Committee has not been getting sufficient information——

Senator **Mondale**. I think you skipped a paragraph saying that unregistered agencies have been told that in lieu of registration, they should try to obtain ocean freight and Public Law 480 food assistance through other registered voluntary agencies. In other words, a voluntary agency that is registered is entitled to Public Law 480, shipping subsidy, and excess Government stock. But they can transfer that to another organization later on which is not registered.

Mr. **Duff**. That is correct. As far as ocean transportation is concerned, I believe——

Senator **Mondale**. That is different perhaps. What about Public Law 480? In other words, a registered agency can transfer Public Law 480 stocks to an unregistered agency?

Mr. **Duff**. They can distribute the Public Law 480 stock through other agencies that are not registered with the Advisory Committee. That is correct, Mr. Chairman.

Senator **Mondale**. It is your impression that the Advisory Committee has been discouraging registration and telling these people, "Well, you can get the same benefit by working through a currently registered agency?"

Mr. **Duff**. That is correct, Mr. Chairman.

Senator **Mondale**. Doesn't that frustrate the purpose of the Committee and the registration process?

Mr. **Duff**. I would believe so.

Senator **Mondale**. I am going to ask the AID person to respond to that.

REGISTRATION WITHOUT COMPLETE INFORMATION

Mr. **Duff**. The Advisory Committee has not been getting sufficient information about each voluntary agency applying for registration to warrant public faith in the registration. The Committee requests these agencies to submit various documents, such as articles of incorporation, bylaws, and other statements of facts, about their organizations, but does not independently verify these facts and information received is not sufficient to determine whether the agencies meet all registration criteria.

Neither does the Committee ask the agencies to explain the type of controls they have for insuring that their services and resources are administered competently in the public interest. The Advisory Committee staff told us that they do nothing to determine if this requirement is met.

UNREGISTERED AFFILIATED ORGANIZATIONS

Some registered and applicant agencies have interrelated or affiliated organizations, both overseas and in the United States, which are not registered. In some cases these organizations serve as fund raisers for the registered agencies; in some cases they are the primary program arm of the agency responsible for disbursing the bulk of the funds collected by the registered agency.

Advisory Committee criteria for registration does not require that applicants identify and explain their relationship to other organizations. Nor does the Committee determine whether unregistered organizations affiliated with the voluntary agencies seeking registration possess the qualifications that would justify their participating in registration benefits. Without this information the Advisory Committee does not in all cases know how public contributions are obtained and used.

One voluntary agency that we reviewed transferred approximately one-third of its income in 1973 to one of its nonregistered subsidiaries. This amount was reported to the Advisory Committee as cash transfers without any information on how it was used.

The agency's subsidiary is essential to the agency's continued existence; in fact, the activities of the subsidiary represent the reason the agency was formed.

Although in this case the registered agency voluntarily made the Advisory Committee aware of its subsidiaries and other affiliated organizations, it was not required to do so.

NEED FOR EVALUATING VOLUNTARY AGENCY MANAGEMENT SYSTEMS

All five of the voluntary agencies which we reviewed were generally using their resources for worthwhile purposes and in the public interest. However, all of these agencies had some management weaknesses. For example:

One agency was transmitting funds for contributors to nonaffiliated organizations over which they had no controls and little knowledge.

Senator MONDALE. Which agency was that?

Mr. DUFF. This was American-Korean Foundation, which was receiving contributions for transfer to an orphanage in Korea.

Senator MONDALE. Were they soliciting funds from American contributors for the orphanage to which they ultimately transferred the funds, in the name of that orphanage?

Mr. **Duff**. These were direct contributions made to the organization for transfer to that particular orphanage, but I do not know whether they were soliciting funds for that——

Senator **Mondale**. Did the public know what they were contributing to or did they think they were contributing to something else?

Mr. **Rutherford**. The American-Korean Foundation in this case was named by the orphanage as the organization to which contributions could be sent—the orphanage was doing its own solicitation and the funds were coming into American-Korean Foundation as designated funds to go to this orphanage, so American-Korean Foundation was serving as a conduit for the money.

Senator **Mondale**. The Korean orphanage was soliciting money in the United States which was sent to the foundation?

Mr. **Rutherford**. Yes.

Senator **Mondale**. And then transferred over to the orphanage?

Mr. **Rutherford**. Yes.

Senator **Mondale**. So the public knew where the money was going?

Mr. **Rutherford**. The public knew the money was going to the orphanage. They made their checks out to American-Korean Foundation but they would be for use at this orphanage.

Mr. **Duff**. One agency had not developed guidelines for use by affiliated projects in accounting for the agency's contributed funds, and therefore the agency had no assurance or knowledge as to if and how the funds were used.

Senator **Mondale**. What organization was that?

Mr. **Duff**. That was Christian Children's Fund, Mr. Chairman.

Senator **Mondale**. They did not know then how the receiving organizations were using the money?

Mr. **Duff**. I believe they knew the overall purpose of the affiliated organizations, but there was no strict accountability and feedback of how the funds which were sent to that organization were used.

Senator **Mondale**. There did not appear to be any standards or guidelines given to the receiving organization as to how the money was to be used?

Mr. **Duff**. That is correct, how it was to be used and accounted for.

Senator **Mondale**. Did you go to any of those agencies that received the funds to see how in fact they were being used?

Mr. **Duff**. Yes, we did.

Senator **Mondale**. Would you comment on that later?

Mr. **Duff**. Yes. One agency requires its affiliated projects to report whenever a sponsored child leaves a project. At two of the projects we visited, we noted that there had been significant delays in submitting the required reports.

Senator **Mondale**. Will you go into that later?

Mr. **Duff**. Yes.

Senator **Mondale**. So we will get into the facts on that later?

Mr. **Duff**. Yes. One agency was unable to satisfactorily evaluate its many projects. One example of this was that two field office employees were responsible for monitoring and inspecting over 160 projects in six countries.

One agency was not receiving adequate financial data from its overseas subsidiary and, therefore, adequate management control by the home office was difficult.

None of the agencies had developed any objective systems to periodically evaluate effectiveness of their various programs.

Senator MONDALE. In other words this is a conclusion you made with respect to all of the voluntary agencies that we asked you to look into. None of them had a system to adequately evaluate the effectiveness of their program?

Mr. DUFF. That is correct, Mr. Chairman. These are examples of the types of management deficiencies noted as we visited the sites and projects at overseas locations. These were discussed and brought to the attention of the agencies headquarters at the completion of our review. We discussed them and in most of the cases we found that the agencies were happy that we had made this review. They looked at us as a management tool that brought these deficiencies to their attention. We were told they were taking effective correction actions or studying the problem to determine appropriate solutions. But the main problem that concerned us is that the Advisory Committee has no way of knowing whether other voluntary agencies have similar problems. Evaluating such agencies' management control systems at their headquarters offices and overseas locations when they apply for registration would serve to identify potential problems that could result in fewer benefits to the recipients. Corrective action would then be required as a prerequisite to registration.

NEED FOR PERIODIC MANAGEMENT REVIEWS

We feel as a result of our review that there is a definite need for periodic management reviews.

The Advisory Committee had not been effectively monitoring the activities of voluntary agencies after registration. It does not periodically determine that these agencies continue to meet established registration criteria except for a requirement that fundraising costs be limited.

One of the committee's functions is to correlate U.S. private voluntary agencies' programs with those of the U.S. Government. Neither the committee, AID, nor the State Department were knowledgeable about the activities of these agencies in some countries.

Thus, they could not know whether these activities were consistent with U.S. objectives in those countries. Embassy personnel in one country we visited were not even aware that one of the agencies operated in that country.

Also, neither the Advisory Committee nor its supporting staff makes audits or reviews at the agencies' headquarters or overseas offices. We also determined in those countries we visited that the five agencies' activities were not reviewed by anyone from the U.S. embassies or AID missions.

Unless the Advisory Committee obtains periodic evaluations of the voluntary agency activities at overseas locations, it cannot be assured that the agencies are meeting certain registration criteria. For example, the committee cannot determine whether the agencies are undertaking only activities consistent with accomplishing objectives filed with it without actually reviewing overseas activities.

Advisory Committee monitoring has been largely limited to reviewing financial data submitted by the voluntary agencies. The agencies are asked to submit annual financial statments that have been audited by a certified public accountant and a statement of income and expenditures prepared in a format prescribed by the committee.

The committee's staff review of these statements is concerned primarily with determining that no unreasonable promotion, publicity, fund raising, or administrative costs occur, either in the United States or overseas.

The Advisory Committee has established a requirement that a voluntary agency not incur excessive costs for fundraising activities. Current guidelines provide that when a registered agency's fundraising costs reach 20 percent of its cash income and the value of publicly contributed gifts in kind, the committee is to notify the agency of its concern and seek remedial action.

If corrective action is not taken within a reasonable time, the agency is to be called in for review by the Advisory Committee's Subcommittee on Fund Raising and Finance. Registered agencies whose fundraising costs equal or exceed 30 percent, when this same formula is applied, are to be brought to the attention of the subcommittee without prior notice.

As discussed in the Comptroller General's "Standards For Audit of Governmental Organizations, Programs, Activities, and Functions", agencies entrusted with public resources and authority for applying them have a responsibility to render a full accounting of their activities.

The Comptroller General's standards call for a scope of audit that includes not only financial and compliance auditing, but also auditing for economy, efficiency, and achievement of desired results. None of the agencies we reviewed were being audited to this extent.

In fact, some of the audits did not even cover expenditures made overseas, although that is generally where the bulk of the agency resources were expended.

Senator. MONDALE. Now it is your position that those audits ought to comply with the Comptroller General's standards, is that correct?

Mr. DUFF. We believe that management-type audits, to the extent that the costs would justify the results, must be done if there is to be any control over the operations of the agencies and any public type "good housekeeping seal of approval" of these agencies.

Senator MONDALE. Your standards require not only the standard financial audit but also the further auditing to determine the economy, efficiency, and achievement of purposes?

Mr. DUFF. Correct.

Senator MONDALE. You found, I gather, that even on the financial side there were some obvious deficiencies, in that in some respects the audit did not even cover money spent overseas, though that was the key purpose, for some of these agencies. And in no case did the committee require audits of economy, efficiency, and achievement?

Mr. DUFF. That is correct.

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LIMITED VALUE OF FINANCIAL DATA FURNISHED TO ADVISORY COMMITTEE

Statements submitted in conformance to the requirement for periodic audits by certified public accountants do not address the question of program direction, efficiency, or effectiveness. Some of these accountants also qualified their opinions because they did not determine that all receipts had been recorded by the agencies. Some of the smaller agencies do not submit certified financial statements.

Senator MONDALE. Are they required to have certified audits?

Mr. DUFF. I do not believe it is a requirement that statements be certified. Financial statements must be submitted.

Mr. WOHLHORN. They have to be certified.

Mr. DUFF. They have to be certified, I am sorry.

The five agencies we reviewed had been submitting certified public accountant statements, but some were incomplete, or otherwise insufficient for making meaningful analyses.

For example, one agency had classified some of its promotion and fundraising expenses as program costs, which resulted in its appearing to have a more favorable ratio of total income to fundraising costs than was really the case.

The Advisory Committee staff was not obtaining enough information from the voluntary agency to be able to identify such errors. Some agencies did not report the value of donated merchandise, some did not disclose field office costs, and some did not report income from overseas operations.

Senator MONDALE. As you know one of the key questions in looking at the ratio of fundraising costs to overall operation cost is how those moneys are allocated. What you are saying in this case is it did not appear that the committee staff was carefully reviewing the propriety of the allocations being made.

Mr. DUFF. This is correct, and in the type of information that was submitted to the Committee, they could not make this determination, Mr. Chairman.

Senator MONDALE. That would be the first thing you would have to know, would you not?

Mr. DUFF. If you were trying to come up with a percentage relationship between fundraising costs and total income, they would have to know——

Senator MONDALE. How could they possibly know that without looking at allocations?

Mr. DUFF. They could not unless standards are established. I understand that the American Institute of Certified Public Accountants has recently come up with a such standards.

Senator MONDALE. That is the heart of the problem. We have had charities testify, one of which said they had no records, as to how they allocated the money. Well one wonders whether they use voodoo or the moon or what, because the key question is: If you have an officer's salary and half of his time is on fundraising, and half of his time is operating programs, it ought to be split 50–50. If they take the whole salary and list it as an operating expense, this is obviously an underrepresentation of fund-raising costs. I gather the one thing the committee is trying to do is put a ceiling on fundraising costs for agencies registered with it.

But even there you did not find they were effectively evaluating allocations to determine what fundraising costs really were. Rather they were basically dependent on what the agencies themselves told them.

Mr. DUFF. This is correct, Mr. Chairman.

Senator MONDALE. Which agency was that that was putting fundraising costs into operational expenses?

Mr. DUFF. That was the American-Korean Foundation.

Senator MONDALE. Was that a major understatement?

Mr. DUFF. I do not believe we made the determination of that, Mr. Chairman. It was the accounting system that they were using. They treated all costs of their activities overseas, including public relations and fundraising, as a project cost.

Senator MONDALE. I see.

Mr. DUFF. I do not think we went into—did you go into the details of that?

Mr. RUTHERFORD. We could supply that information.

Senator MONDALE. If I may ask the gentleman to your right, did you review that particular matter yourself?

Mr. RUTHERFORD. I was in New York at the time the review was completed. I did not review it personally——

Senator MONDALE. You might supply that for the record. You are testifying that, based upon the audits in the Committee office, they could not possibly have known what went into fundraising and what was properly allowable to operations?

Mr. DUFF. This is correct. They had only what was reported to them and had no knowledge that public relations and fundraising costs were included in amounts reported as overseas program expenditures.

Senator MONDALE. All right.

[The following information was subsequently received for the record:]

AMERICAN-KOREAN FOUNDATION EXPENDITURES

AKF's public relations and fund-raising expenditures reported to the Advisory Committee for Fiscal Year 1973 amounted to $337,123, and this amount represented 14.9% of total income. Not included in the $337,123 was the $80,522 expended in Korea for public relations and fundraising purposes. The $80,522 was included as part of overseas program expenditures reported to the Advisory Committee. Had they been included in the reported data as public relations and fund-raising expenditures the ratio would have been 18.5%.

Mr. DUFF. Another limitation on the Advisory Committee's ability to analyze these reports is caused by nonuniform reporting practices. For example, one of the five agencies we reviewed did not record depreciation and two did not provide a breakdown of expenses by cost element such as salaries, travel, and rent.

Advisory Committee reviews are hindered by differences of opinion in defining and classifying program costs, for example, three of the agencies treated all the cost of operating overseas field offices as program costs while others considered some of these costs to be supporting or administrative costs.

Senator MONDALE. Did you find any that overstated fundraising costs?

Mr. DUFF. Not to my knowledge.

Senator MONDALE. That is what I figured.

Mr. DUFF. Still another problem in reviewing agencies' financial statements was the method used by the Advisory Committee staff in analyzing administrative and fundraising costs.

When the Committee compared the percentage of administrative costs to total receipts it excluded any general management costs that were reported as not being specifically identifiable with domestic or overseas programs.

Similarly, when comparing fundraising costs to total receipts, the costs of special fundraising events and campaigns were not considered. Advisory Committee staff could not explain why these costs were excluded but acknowledged that they probably should be considered.

Comparing fundraising costs to total receipts may be an inappropriate practice in some cases. Some agencies have significant sources of income other than contributions that are not related to fundraising efforts.

For example, all voluntary agencies had investment income. One received nearly two-thirds of its income from program service fees, and its total fundraising costs were only 4 percent of total receipts.

However, a comparison of total fundraising costs to receipts from the general public, the primary target of promotion activities, raised the percentage to more than 16 percent.

In addition to financial reports, the Advisory Committee receives from some agencies annual program reports and other documents that can be used as a basis for monitoring and questioning agencies' activities.

We identified two cases where agencies were not strictly meeting registration criteria. One agency was violating the requirement that board members serve without compensation. The Advisory Committee had been provided with the agency's revised bylaws which allowed such compensation.

Another agency was not meeting the criteria that its primary purpose be to engage in voluntary foreign aid. Although it has programs overseas, its reports to the Committee showed that its largest programs were domestic. The Advisory Committee was not aware of these situations or had not taken corrective action.

CONCLUSIONS

Mr. Chairman, as a result of the review which we undertook at your request, we have come to the following conclusions.

The Committee, as presently empowered and funded, is unable to adequately evaluate a voluntary agency's eligibility for registration or to effectively monitor the agency's activities to assure that it continues to meet registration standards.

To the extent that the contributing public relies on registration of the agency with the Committee as a seal of Government approval, the registration program may be more misleading than beneficial.

The Committee does not have the staff needed to verify information submitted to it by the agencies in pursuit of registration or to conduct reviews of the agencies' headquarters operations, overseas activities, and affiliated but unregistered organizations.

Its monitoring has been largely restricted to reviewing limited financial information submitted by these agencies and this review is of limited value because of the incompleteness and/or lack of uniformity in this data. Analyses of fund-raising and administrative costs, the Committee's major concern, was not always meaningful because the Committee did not consider individual differences in fund-raising practice, and, in some cases, did not include all appropriate costs.

Analyses of financial reports in general were difficult at best because of the different reporting practices used by the various agencies.

From our review of the committee's relationships with the five selected agencies and from earlier work done at your request, we believe that the committee's registration and compliance activities are not comprehensive enough to provide either the recipient children or the contributing public with any significant measure of protection.

In fact, we believe that by allowing agencies to advertise that they are registered, the Committee may be unwittingly permitting the public to be misled to the extent that contributors rely on registration as a seal of Government approval and assurance that their contributions will be used competently and in the public interest.

Senator MONDALE. It is even worse than that because if a citizen checked the Committee's own guidelines, they would have every reason to believe that they are being protected.

Mr. DUFF. That is correct, Mr. Chairman.

We suggest that prohibiting any voluntary agency from referring to its registered status in any advertisement or other publicity material be considered.

Whether a requirement is to be established for implementation of a stronger and more effective registration system for organizations that receive Government assistance and/or solicit support of any type from the general public, including those engaged in voluntary foreign aid, is a matter for deliberation by your subcommittee and for further consideration of the Congress.

If a more effective system is to be established, we believe that our review has shown that consideration should be given to including the following as essential elements of the program:

Each voluntary agency's management system should be reviewed before registration to determine that satisfactory controls exist to insure that services and resources are administered competently in the public interest.

Periodic followup reviews should be conducted at headquarters and overseas locations to assure that the agencies continue to meet registration requirements.

All voluntary agencies should be required to follow uniform financial reporting practices and to submit annual certified public accountants reports.

Senator MONDALE. Could it be required that CPA audits certify this broader standard of the Comptroller General including efficiency, fulfillment of purposes and so on? Can the CPA prepare that kind of broader gaged audit?

Mr. DUFF. Very definitely they can, Mr. Chairman.

Senator **MONDALE**. So it can be—one of the requirements could be that the annual audit must fulfill the Comptroller General's standards. I assume that is a much more expensive audit.

Mr. DUF[illegible]. Yes. This would be the big question, the expense and cost of doing that.

Audits in accordance with Comptroller General's "Standard For Audit Of Government Organizations, Programs, Activities, And Functions" should be made of voluntary agencies' programs that receive substantive support from the Government. Such audits should be made by the audit resources available to the cognizant government agencies, and, if feasible, by the audit resources that are available to the supported voluntary agencies.

Meaningful guidelines should be established for reviewing agencies' administrative-general management and publicity-fund-raising costs which consider the individual differences in operating and fund-raising practices.

Each registered agency should be required to provide needed financial and operational information concerning all affiliated organizations disbursing the registered agency's funds.

We recognize that registration and periodic reporting by registered agencies does benefit the contributing public and the recipient children to the extent that Advisory Committee reviews help keep agencies' administrative and fundraising costs down. We also recognize that increased costs would be incurred by both the Government and the agencies if the Advisory Committee were to strengthen its overview capabilities. We did not determine what these increased costs would be or whether they would be justified by the results.

Mr. Chairman, that completes my statement. My colleagues and I would be pleased to answer any of your questions.

Senator **MONDALE**. The exhibits will appear in the record at this point.

[The documents referred to follow:]

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EXHIBIT A

REGISTRATION BENEFITS RECEIVED

FROM U.S. GOVERNMENT

(FOR LATEST VOLUNTARY AGENCY FISCAL YEAR)

	FREIGHT REIMBURSEMENT	EXCESS PROPERTY	DONATED FOOD	TOTAL
AMERICAN-KOREAN FOUNDATION	$ 48,221	$ 47,493	$ -	$ 95,71
CHRISTIAN CHILDREN'S FUND	-	-	-	-
FOSTER PARENTS PLAN	1,511	-	-	1,51
HOLT ADOPTION PROGRAM	6,173	-	-	6,17
SAVE THE CHILDREN FEDERATION	-	-	-	-
SUBTOTAL	$ 55,905	$ 47,493	$ -	$ 103,39
ALL OTHER VOLUNTARY AGENCIES	42,867,799	1,010,591	124,475,827	168,354,21
TOTAL	$42,923,704	$1,058,084	$124,475,827	$168,457,61

SOURCE: AID's 1973 "VOLUNTARY FOREIGN AID PROGRAMS" AND HAP'S 1973 SCHEDULE C-100--STATEME
OF INCOME AND EXPENDITURES.

EXHIBIT B

COUNTRIES VISITED
AND VOLUNTARY AGENCIES REVIEWED

	AMERICAN-KOREAN FOUNDATION	CHRISTIAN CHILDREN'S FUND	FOSTER PARENTS PLAN	HOLT ADOPTION PROGRAM	SAVE THE CHILDREN FEDERATION
COLOMBIA		X	X		X
GREECE		X	X		X
HONG KONG		X			
KOREA	X	X	X	X	X
MEXICO		X			X
KENYA		X			
PHILIPPINES		X	X		

EXHIBIT C

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SUMMARY OF REASONS CITED BY 33 VOLUNTARY AGENCIES FOR APPLYING FOR REGISTRATION (NOTE A)

ELIGIBILITY FOR SUBVENTIONS		23
OCEAN TRANSPORTATION	11	
DONATED PL 480 FOOD	2	
EXCESS PROPERTY	10	
GENERAL RECOGNITION		43
PUBLIC STANDING, PRESTIGE	19	
FACILITATION OF FUND RAISING	8	
IDENTIFICATION WITH OTHER REGISTERED AGENCIES AND WITH U.S. GOVERNMENT FOREIGN AID	8	
ACCEPTANCE BY FOREIGN GOVERNMENT	4	
OTHER	4	

[A] THESE WERE THE LATEST AGENCIES TO APPLY. SOME GAVE MORE THAN ONE REASON.

SOURCE: "A LOOK TO THE FUTURE," APRIL 1974, ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID.

Senator MONDALE. May I say I appreciate your fine report and the work of your colleagues. It is up to the standards that we have come to expect of your office and we are most appreciative.

I think we all very much want private voluntary organizations to remain and grow as part of the American life. I think it is a cherished and important element in our system that we do not wish to discourage. But the elements of that system must include honest, confident management, and full disclosure to contributors. Contributors should know what their money is being used for, because after all it is under the law they contribute money as trust money and voluntary organizations serve as trustees for the public that contributed. They do not serve in any other capacity.

This Committee of course is very concerned that the children on whose behalf this money is solicited receive it, and receive it in a way which serves the purposes for which it was solicited and helps the children. It seems to me that that objective becomes especially important and possibly much more difficult when the recipients are foreign children. Presumably a charity raising and spending money in the United States is more subject to public scrutiny than a charity which raises money in the United States and then spends it in a foreign land where citizens would not be as directly knowledgeable about how that money is being spent.

I suspect that your study is the first time a public agency has ever checked on this kind of operation, on behalf of the contributors, other than the few who might have looked at it themselves.

Do you think that is probably the case?

Mr. DUFF. I think that is possible, but I think the agencies would be in a better position than I am to to answer.

Senator MONDALE. It was shown that at least the charter establishing the Committee, the AID Committee, clearly expected that that agency would be the protector of the contributors' interests and the beneficiaries' interests.

But your study shows that they are apparently badly understaffed and underfunded, that they basically depend upon the submissions given to them by the agencies involved, that there is no effort to look at the broader standards of efficiency, confidence and achievement of purpose, and more than that there is plenty of evidence that on many occasions they do not have enough data before them to even know that the financial affairs of these charities are being properly managed.

But nevertheless, through the use of imprimatur and advertising, Americans may well be led to believe that their money is being supervised and protected, and in fact the guidelines of the Committee itself say that is what they are there for, even though there is little or none of that being done.

Mr. DUFF. That is correct, Mr. Chairman.

Senator MONDALE. Thus your recommendations are suggestions for reform.

Mr. DUFF. Either to give that assurance or to prohibit the use of registration as a means of soliciting funds in the advertisements.

Senator MONDALE. Now among the organizations you looked into is Christian Children's Fund, which according to a preliminary report submitted to the committee, received $24.9 million in 1973. This would appear to be a major organization employing 960 people in 16 field

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offices and 49 projects. They spent up to $25.3 million in 1973, and you visited activities in Colombia, Greece, Hong Kong, Kenya, Mexico and the Philippines, which countries accounted for about 26 percent of their overseas expenditures and a limited review in Korea. You found that this charity spends $2.4 million a year for fundraising activities—that is in 1973—and most of it through magazine advertising. I think it might be well to place in the record a copy of this advertisement. This is one of them here [indicating]. It says "you can really get involved," and it shows a picture of a child, Christian Children's Fund, Richmond, Va., and underneath it says: registered with U.S. Government Advisory Committee on Voluntary Foreign Aid, and so on.

I think that ad ought to be placed in the record.

We have examples of other ads appearing in other publications. I think we will include all of them.

[The ads referred to follow:]

Senator MONDALE. Your study showed among other things that there is a certain vagueness on the part of charity in determining which children were eligible for support under the charity. Would you comment on that?

Mr. DUFF. On how they select?

Senator MONDALE. I am referring to page 5 of your preliminary report.

Mr. DUFF. As to the children that are selected?

Senator MONDALE. How they select the children receiving the help.

Mr. DUFF. They have criteria which is given to the projects in the field as to the children that they will support. As we understand it, the neediest children in the area are not necessarily participating in the programs supported by the fund. In one particular field office we understand that they select those children that they believe will improve—that is, that the amount of aid that they can give to the child will substantially improve the living standard of this child and raise him to a position where he can move up in the society of the particular village or city or town that he is in. We have talked to the people in the projects about the method of selection and it appears that the philosophy used is to put the money where it can do the most good not to dissipate the funds so that there would be no real increase in the standard of living of the children or the families that are being supported.

Senator MONDALE. Now if that is their objective, did they have a management system that assured that that was fulfilled?

Mr. DUFF. I do not believe their management system would show that it was being fulfilled. In the feedback that is received from the projects, I do not believe it would bring this to the attention of the agency headquarters. What they do have is criteria which they have established and which is used by the projects that they support to select the children that will be supported by the parent organization.

Senator MONDALE. On page 7 you found that these ten children were in an affiliated project in Colombia that had two sponsors, one from CCF and one from Save the Children, and the institution was also receiving funds from a local charity. CCF was not aware that the project was receiving support from another organization sponsorship program. The project did not submit reports of its financial condition to the CCF. What you are saying here is that apparently you have had a recipient organization that was pretty skillful in getting support from several areas, but CCF was not aware that the money they were sending was being duplicated from other sources.

Mr. DUFF. That is correct, Mr. Chairman.

Senator MONDALE. Now on page 9 you discuss the procedures used to distribute moneys sent by contributors directly to specific children. According to your report: in one affiliated project in Kenya only about 25 percent of all special gifts received for the period September 1973 to March 1974 had been passed on to the designated children. The sponsor of one child in this project sent $34 as a special gift. The child received $4.28. The project retained the balance.

How can this happen?

Were the contributors told that if they gave $34, the child would get $4?

Mr. Duff. I do not believe they were told that, Mr. Chairman. I do not believe that the sponsoring agency was aware of this particular case until we brought it to their attention.

I would like to expand on that a little bit. The procedure that we used in making our review was strictly that of test.

Senator Mondale. Of what?

Mr. Duff. Selected tests. As we went out to specific projects, we picked up from the headquarters of the agencies the list of funds that were being contributed to a project by the agency including the special gifts that a sponsor may make in addition to paying in a monthly rate to sponsor a child.

Senator Mondale. In other words, a contributor will say: I will give $15 a month to help this boy.

Then along comes Christmas, and I send this to the child for Christmas. In this case when these sponsors send a $34 check and the child got a $4 gift, now was the sponsor told that that is what the child would get?

Mr. Duff. No sir.

Senator Mondale. Had the sponsor been told, would he have sent $34?

Mr. Duff. I am sorry, had he been told that the child what?

Senator Mondale. If he had been told that he would get a $4 gift for $34, would he have done so?

Mr. Duff. No.

Senator Mondale. I do not think so either. Then you found that in this particular project only 25 percent of the gifts given were received. How can that happen? What happened to the money?

Mr. Duff. Well in this particular case, the list of direct contributions to the children was taken with us. When we arrived at the project we checked which children received the gifts and how much they received. This is how we identified that only $4.28 of this $34 special gift was given to the child. The explanation given to us by the project manager is that when they receive these gifts, they do not always give the designated amount to a particular child. They try to support all of the children that are in the project. So they might call in a group of children and say "John Jones received a gift and we are going to have a little party for all of you children, using his gift," and maybe the portion of the gift that went to the sponsored child was only $4.

Now in some of the projects, and I believe this was the case in Kenya, because of the standard of living, the project manager felt that it would not be right to give a child a $34 gift. So the project manager was using discretion in distributing these moneys, but it was not in accordance with what the sponsor——

Senator Mondale. Can you tell us that all the money that was sent to the children at this Kenya project for gifts was used one way or another in that project?

Mr. Duff. No, we cannot, Mr. Chairman.

Senator Mondale. So what happened to the money? It might have all been used. It may not have been. You do not know?

Mr. Duff. That is correct, Mr. Chairman.

Senator Mondale. That may be good judgment. I can understand if you have several children, and one child gets a $34 gift, and the

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others sit around emptyhanded—I have three children and we go through that every Christmas. But should not the contributor know that they are contributing to a Christmas party in Kenya, rather than this other way?

Mr. DUFF. This is correct. We believe that the way the contributors contribute this money, both their monthly payments and also special gifts, that they probably did believe and have a right to believe that that money is going to the child directly.

Senator MONDALE. So on page 10 you said that one project in Kenya had spent only 48 percent of the funds received. Did they just hold the other funds in reserve or what?

Mr. DUFF. They were holding them in reserve.

Senator MONDALE. On page 12 you describe a school in Hong Kong, which was getting funds from CCF to support 118 children who were no longer enrolled. I gather that that meant that there were about 118 American donors who were sending monthly checks in the belief that they were going to children in Hong Kong and that money was being spent for an orphanage or what——

Mr. DUFF. This is a school.

Senator MONDALE. A school, even though those children were not there. Now what happened? Were the sponsors notified that they were no longer in the school? Did the sponsors continue to receive letters from children or reports from CCF?

Mr. DUFF. The sponsors probably were not aware that these children were no longer attending the program for which they contributed. I assume that they were not receiving letters from the children, since the children are no longer enrolled in that school program.

Senator MONDALE. For how long an interval were these checks being received after the children were no longer enrolled?

Mr. DUFF. I believe there was a 6- or 7-month period from the time the school had been shut down.

Senator MONDALE. Well, the school had been closed.

Mr. DUFF. I am sorry, that was another case. The 118 sponsored children had graduated or had not returned to the Hong Kong school for other reasons from the beginning of the school year in August 1973 to the time of our visit in February 1974.

Senator MONDALE. So the school continued to take the money for school purposes?

Mr. DUFF. Yes.

Senator MONDALE. But the children were gone?

Mr. DUFF. The specific children that were being sponsored by the organization were no longer attending that school.

Senator MONDALE. You also found in Kenya that inspection reports had been made for only 6 of 68 projects. In Hong Kong for 11 of 21 projects and in Mexico they were not available for 44 of 147 projects. If these reports were not made to CCF, how could they know how those funds were being spent?

Mr. DUFF. That is a very good question, Mr. Chairman. We do not think that the CCF headquarters has enough information specifically on the projects that they are supporting.

Senator MONDALE. As a matter of fact in these cases they had no information, or did they send out field teams?

Mr. DUFF. There were no official reports, Mr. Chairman. I do not know whether they had information obtained by other means.

Senator MONDALE. On page 10 it says that CCF contributed $25,000 to the construction of a school in Greece which closed in 1973. When GAO visited in 1974, about $6,700 of that amount was still sitting in the bank. And apparently CCF had never received a report accounting for these funds, is that correct?

Mr. DUFF. That is my understanding. They contributed or agreed to contribute $25,000 to the construction cost of that school. And I understand that the total cost of the school was less than the contribution made by CCF. They made this contribution in two installments, and at the time that we visited the site there was $6,700 unexpended and that amount was identified at the project as the remainder of the contributions from CCF for the construction of that school.

Senator MONDALE. Well I think that pretty well covers the matter. We may be asking further questions of you as we go along. We appreciate your report and the review that you made.

Let me ask one other question. How many CCF projects did you visit?

Mr. RUTHERFORD. The precise number of CCF projects that we visited is 40.

Senator MONDALE. In one case you found that the children were no longer there, is that correct, you talked about that instance a minute ago?

Mr. RUTHERFORD. The one in Hong Kong, you mean, yes, that is correct.

Senator MONDALE. In another case you found that the school was closed?

Mr. RUTHERFORD. Yes.

Senator MONDALE. Did you find any other cases where the children were gone or the school was closed, other than those two?

Mr. RUTHERFORD. No. There were a few other, you might say, minor discrepancies in Hong Kong. They were much less significant.

You have to understand, of course, that some children are always dropping out and coming in, and the one related case we found was in the Hong Kong school. The school closure in Greece was the second of the two principal problems noted. The other things were administrative matters. In the course of our examination, our specific audit, we did not come across any missing children.

Senator MONDALE. Thank you very much.

[The prepared statement of Mr. Duff follows:]

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 9:30 A.M., EST
WEDNESDAY, AUGUST 21, 1974

STATEMENT OF
JAMES A. DUFF, ASSOCIATE DIRECTOR
INTERNATIONAL DIVISION
BEFORE THE
SUBCOMMITTEE ON CHILDREN AND YOUTH
OF THE
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
ON THE
UNITED STATES VOLUNTARY FOREIGN AID PROGRAM

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE PLEASED TO BE HERE TODAY TO DISCUSS THE RESULTS OF OUR EXAMINATION INTO THE RELATIONSHIP BETWEEN THE AGENCY FOR INTERNATIONAL DEVELOPMENT (AID) ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID AND SELECTED VOLUNTARY AID AGENCIES IT HAS REGISTERED. OUR REVIEW WAS MADE AT YOUR REQUEST TO DETERMINE WHETHER THE ADVISORY COMMITTEE'S REGISTRATION AND COMPLIANCE ACTIVITIES ARE EFFECTIVELY PROTECTING THE CHILDREN

ASSISTED BY VOLUNTARY AGENCIES AND THE AMERICAN PUBLIC THAT SO GENEROUSLY SUPPORTS THESE AGENCIES WITH THEIR CONTRIBUTIONS.

THE ADVISORY COMMITTEE

THE ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID SUCCEEDED THE PRESIDENT'S WAR RELIEF CONTROL BOARD AND WAS ESTABLISHED BY A 1946 PRESIDENTIAL DIRECTIVE TO TIE TOGETHER GOVERNMENTAL AND PRIVATE PROGRAMS IN FOREIGN RELIEF AND HAVE THEM WORK WITH INTERESTED AGENCIES AND GROUPS. THE COMMITTEE IS ATTACHED TO AID AND CONSISTS OF 11 CITIZENS FROM THE PUBLIC SECTOR APPOINTED BY THE AID ADMINISTRATOR.

THE COMMITTEE MEETS 5 TO 10 TIMES A YEAR, RELYING PRIMARILY ON STAFF SUPPORT FROM AID FOR THE DAY-TO-DAY ADMINISTRATION OF THE REGISTRATION PROGRAM. AID, HOWEVER, PROVIDES ONLY THREE FULL TIME STAFF MEMBERS.

THE COMMITTEE CHARTER STATES THAT ITS OBJECTIVE IS "TO SERVE AS A FOCAL POINT FOR RELATIONS BETWEEN THE U.S. GOVERNMENT AND U.S. PRIVATE AND VOLUNTARY ORGANIZATIONS ACTIVE IN

THE FIELD OF RELIEF, REHABILITATION, AND DEVELOPMENT OVERSEAS." ITS DUTIES AS OUTLINED IN THE CHARTER MAY BE BRIEFLY DESCRIBED AS FOLLOWS:

--TO REGISTER QUALIFIED U.S. PRIVATE NONPROFIT ORGANIZATIONS VOLUNTARILY SEEKING AND ACCEPTING REGISTRATION.

--TO INSURE THE TRUSTWORTHINESS OF REGISTERED AGENCIES TO THE PUBLIC AND TO MAINTAIN AND PUBLISH A REGISTER OF SUCH ORGANIZATIONS.

--TO PROVIDE INFORMATION AND ADVICE TO AID AND OTHER U.S. GOVERNMENT AGENCIES RELATING TO FOREIGN ASSISTANCE IN WHICH U.S. GOVERNMENT AND PRIVATE VOLUNTARY ORGANIZATIONS INTERACT.

--TO PROVIDE ASSISTANCE TO PRIVATE AND VOLUNTARY ORGANIZATIONS WORKING ABROAD ON PROBLEMS AND ISSUES IN THEIR RELATIONS WITH AID AND OTHER FEDERAL AGENCIES.

--TO FOSTER PUBLIC INTEREST IN VOLUNTARY FOREIGN AID.

THE REGISTER MAINTAINED BY THE COMMITTEE CONSTITUTES THE AUTHORITATIVE LISTING OF ORGANIZATIONS WHICH MAY APPLY TO THE U.S. GOVERNMENT FOR RECEIVING AGRICULTURAL COMMODITIES UNDER TITLE II OF PUBLIC LAW 480 AND GOVERNMENT-OWNED EXCESS PROPERTY AND REIMBURSEMENT OF OCEAN TRANSPORTATION CHARGES FOR DONATED SUPPLIES SHIPPED OVERSEAS. REGISTRATION IS NOT REQUIRED FOR OTHER FORMS OF GOVERNMENT ASSISTANCE.

DURING THE ADVISORY COMMITTEE'S LATEST 12-MONTH REPORTING PERIOD, REGISTERED AGENCIES OBTAINED SOME $680 MILLION IN FUNDS AND MATERIAL AID FROM PRIVATE ORGANIZATIONS, INDIVIDUALS, AND THE U.S. GOVERNMENT TO SUPPORT THEIR PROGRAMS--$473 MILLION FROM PRIVATE CONTRIBUTIONS AND $208 MILLION FROM THE U.S. GOVERNMENT. FROM THESE COMBINED RESOURCES MORE THAN $580 MILLION WAS EXPENDED FOR OVERSEAS PROGRAMS IN AGRICULTURE AND RURAL DEVELOPMENT, COMMUNITY DEVELOPMENT, FAMILY PLANNING, HEALTH AND NUTRITION, HOUSING CONSTRUCTION, REFUGEE ASSISTANCE, RELIEF AND REHABILITATION, VOCATIONAL EDUCATION, AND RELATED PROJECTS. THESE PROJECTS WERE CARRIED OUT IN OVER 100 DIFFERENT COUNTRIES.

THE U.S. GOVERNMENT CONTRIBUTION TO REGISTERED AGENCIES DURING THIS REPORTING PERIOD, EXCLUSIVE OF $40 MILLION OF CONTRACTS AND GRANTS, INCLUDED FOOD DONATIONS WORTH $124 MILLION, REIMBURSEMENT FOR OCEAN FREIGHT COSTS AMOUNTING TO $43 MILLION, AND PROVISION OF EXCESS PROPERTY HAVING AN ORIGINAL ACQUISITION COST OF $1 MILLION. EXHIBIT A PROVIDES ADDITIONAL DETAIL OF U.S. GOVERNMENT SUPPORT TO REGISTERED AGENCIES.

THE VOLUNTARY AGENCIES

A VOLUNTARY AGENCY IS DEFINED BY THE AMERICAN COUNCIL OF VOLUNTARY AGENCIES FOR FOREIGN SERVICE, INC., AS "A NONPROFIT ORGANIZATION ESTABLISHED BY A GROUP OF PRIVATE CITIZENS FOR A STATED PHILANTHROPIC PURPOSE, AND SUPPORTED BY VOLUNTARY CONTRIBUTIONS FROM INDIVIDUALS CONCERNED WITH THE REALIZATION OF ITS

PURPOSE." THE AMERICAN COUNCIL HAS IDENTIFIED AT LEAST 130 VOLUNTARY AGENCIES IN THE UNITED STATES. ALSO, MORE THAN 300 OTHER U.S. NONPROFIT ORGANIZATIONS ARE INVOLVED IN DEVELOPMENT ASSISTANCE ABROAD DESIGNED TO IMPROVE SOCIOECONOMIC CONDITIONS, ESTABLISH LOCAL INSTITUTIONS TOWARD THAT END, OR ENHANCE HUMAN RESOURCES.

AS OF DECEMBER 31, 1973, 91 VOLUNTARY AGENCIES WERE REGISTERED WITH THE ADVISORY COMMITTEE.

WE MADE OUR REVIEW AT THE OFFICE OF PRIVATE AND VOLUNTARY COOPERATION, AID, WASHINGTON, D.C., AND AT THE HEADQUARTERS OFFICES OF THE FIVE VOLUNTARY AGENCIES YOU ASKED US TO REVIEW--AMERICAN-KOREAN FOUNDATION, INC., NEW YORK, NEW YORK; CHRISTIAN CHILDREN'S FUND, INC., RICHMOND, VIRGINIA; FOSTER PARENTS PLAN, INC., WARWICK, RHODE ISLAND; HOLT ADOPTION PROGRAM, INC., EUGENE, OREGON; AND SAVE THE CHILDREN FEDERATION, INC., NORWALK, CONNECTICUT.

OVERSEAS WORK INCLUDED VISITS TO SELECTED PROJECTS AND LOCATIONS IN SEVEN COUNTRIES--THREE IN ASIA, TWO IN LATIN AMERICA, AND ONE EACH IN AFRICA AND EUROPE. EXHIBIT B LISTS THESE COUNTRIES AND THE AGENCIES REVIEWED.

THE REGISTRATION PROGRAM

THE ADVISORY COMMITTEE REGULATIONS GOVERNING REGISTRATION OF VOLUNTARY AGENCIES PROVIDE THAT ANY INDIVIDUAL OR NONGOVERNMENTAL ORGANIZATION ENGAGED IN NONPROFIT ACTIVITIES IN THE UNITED STATES MAY APPLY FOR REGISTRATION TO FURTHER OR ENGAGE IN VOLUNTARY NONRELIGIOUS AID OUTSIDE THE UNITED STATES.

THE APPLICANT MUST ESTABLISH THAT ITS PRIMARY PURPOSE IS TO ENGAGE IN VOLUNTARY FOREIGN AID AND THAT IT:

--IS A U.S. ORGANIZATION CONTROLLED BY A RESPONSIBLE BODY WHICH EXERCISES SATISFACTORY CONTROLS TO ASSURE THAT ITS SERVICES AND RESOURCES ARE ADMINISTERED COMPETENTLY IN THE PUBLIC INTEREST.

--WILL SUBMIT FINANCIAL REPORTS REQUIRED BY THE COMMITTEE AND PROOF THAT CONTRIBUTIONS TO IT ARE TAX DEDUCTIBLE.

--WILL UNDERTAKE ONLY ACTIVITIES CONSISTENT WITH THE ACCOMPLISHMENT OF OBJECTIVES FILED WITH THE ADVISORY COMMITTEE.

--WILL OBTAIN, SPEND, AND DISTRIBUTE ITS RESOURCES ETHICALLY, WITHOUT UNREASONABLE COST FOR PROMOTION, PUBLICITY, FUND RAISING, AND ADMINISTRATION.

THE ADVISORY COMMITTEE DOES NOT HAVE THE AUTHORITY TO REQUIRE ANY VOLUNTARY AGENCY TO REGISTER. AS INDICATED BY THE ABOVE STATISTICS, ONLY A SMALL PERCENTAGE OF NONPROFIT ORGANIZATIONS INVOLVED IN OVERSEAS DEVELOPMENT ASSISTANCE HAVE VOLUNTARILY REGISTERED. OBVIOUSLY, THE ADVISORY COMMITTEE CANNOT ASSURE THE PUBLIC OF THE TRUSTWORTHINESS OF THE MANY AGENCIES THAT ARE NOT REGISTERED.

REASONS VOLUNTARY AGENCIES APPLY FOR REGISTRATION

THE ADVISORY COMMITTEE STUDIED THE REASONS VOLUNTARY AGENCIES APPLY FOR REGISTRATION, AND FROM THE REVIEW OF 33 RECENT APPLICATIONS, IT FOUND THAT GENERAL RECOGNITION WAS GIVEN AS A REASON FOR REGISTERING NEARLY TWICE AS OFTEN AS ELIGIBILITY FOR GOVERNMENT ASSISTANCE. THE MOST FREQUENTLY CITED EXAMPLES OF RECOGNITION WERE "PUBLIC STANDING, PRESTIGE, AND FACILITATION OF FUND RAISING." EXHIBIT C GIVES THE COMPLETE RESULTS OF THIS STUDY.

THE IMPORTANCE OF THIS REGISTRATION PROCESS TO THE PUBLIC WAS RECOGNIZED IN A RECENT ADVISORY COMMITTEE REPORT, WHICH STATED THAT:

> "THE MOST DIRECT SIGNIFICANCE OF VOLUNTARY AGENCY REGISTRATION TO THE AMERICAN PUBLIC IS IN THE IMPLIED ASSURANCE OF CREDIBILITY, EFFICIENCY, AND EFFECTIVENESS OF THE AGENCY, AND THE CONFIDENCE IT IMPARTS TO AN INDIVIDUAL THAT HIS CONTRIBUTION WILL BE PROPERLY APPLIED TO THE PURPOSE HE FAVORS."

THE REPORT ALSO POINTS OUT THE ADVISORY COMMITTEE FREQUENTLY RECEIVES INQUIRIES FROM THE AMERICAN PUBLIC AS TO THE TRUSTWORTHINESS OF SOLICITING AGENCIES.

REGISTRATION NOT ENCOURAGED

WE NOTED THAT THE ADVISORY COMMITTEE HAS NOT BEEN ENCOURAGING VOLUNTARY AGENCIES TO REGISTER. SOME UNREGISTERED AGENCIES HAVE BEEN TOLD THAT, IN LIEU OF REGISTRATION, THEY SHOULD TRY TO OBTAIN OCEAN FREIGHT AND PUBLIC LAW 480 FOOD ASSISTANCE THROUGH OTHER REGISTERED VOLUNTARY AGENCIES. THIS COULD RESULT IN ORGANIZATIONS THAT MIGHT NOT QUALIFY FOR REGISTRATION INDIRECTLY RECEIVING U.S. GOVERNMENT ASSISTANCE.

IN OUR OPINION, THE COMMITTEE SHOULD ENCOURAGE REGISTRATION IF IT IS TO CARRY OUT ITS RESPONSIBILITY FOR FOSTERING PUBLIC INTEREST AND TRUST IN VOLUNTARY FOREIGN AID.

REGISTRATION WITHOUT COMPLETE INFORMATION

THE ADVISORY COMMITTEE HAS NOT BEEN GETTING SUFFICIENT INFORMATION ABOUT EACH VOLUNTARY AGENCY APPLYING FOR REGISTRATION TO WARRANT PUBLIC FAITH IN THE REGISTRATION. THE COMMITTEE REQUESTS THESE AGENCIES TO SUBMIT VARIOUS DOCUMENTS, SUCH AS ARTICLES OF INCORPORATION, BY-LAWS, AND OTHER STATEMENTS OF FACTS, ABOUT THEIR ORGANIZATIONS, BUT DOES NOT INDEPENDENTLY VERIFY THESE FACTS AND INFORMATION RECEIVED IS NOT SUFFICIENT TO DETERMINE WHETHER THE AGENCIES MEET ALL REGISTRATION CRITERIA. NEITHER DOES THE COMMITTEE ASK THE AGENCIES TO EXPLAIN THE TYPE OF CONTROLS THEY HAVE FOR INSURING THAT THEIR SERVICES AND RESOURCES ARE ADMINISTERED COMPETENTLY IN THE PUBLIC INTEREST. THE ADVISORY COMMITTEE STAFF TOLD US THAT THEY DO NOTHING TO DETERMINE IF THIS REQUIREMENT IS MET.

UNREGISTERED AFFILIATED ORGANIZATIONS

SOME REGISTERED AND APPLICANT AGENCIES HAVE INTERRELATED OR AFFILIATED ORGANIZATIONS, BOTH OVERSEAS AND IN THE UNITED STATES, WHICH ARE NOT REGISTERED. IN SOME CASES THESE ORGANIZATIONS SERVE AS FUND RAISERS FOR THE REGISTERED AGENCIES; IN SOME CASES THEY ARE THE PRIMARY PROGRAM ARM OF THE AGENCY RESPONSIBLE FOR DISBURSING THE BULK OF THE FUNDS COLLECTED BY THE REGISTERED AGENCY. ADVISORY COMMITTEE CRITERIA FOR REGISTRATION DOES NOT REQUIRE THAT APPLICANTS IDENTIFY AND EXPLAIN THEIR RELATIONSHIP TO OTHER ORGANIZATIONS. NOR DOES THE COMMITTEE DETERMINE WHETHER UNREGISTERED ORGANIZATIONS AFFILIATED WITH THE VOLUNTARY AGENCIES SEEKING REGISTRATION POSSESS THE QUALIFICATIONS THAT WOULD JUSTIFY THEIR PARTICIPATING IN REGISTRATION BENEFITS. WITHOUT THIS INFORMATION THE ADVISORY COMMITTEE DOES NOT IN ALL CASES KNOW HOW PUBLIC CONTRIBUTIONS ARE OBTAINED AND USED.

ONE VOLUNTARY AGENCY THAT WE REVIEWED TRANSFERRED APPROXIMATELY ONE-THIRD OF ITS INCOME IN 1973 TO ONE OF ITS NON-REGISTERED SUBSIDIARIES. THIS AMOUNT WAS REPORTED TO THE ADVISORY COMMITTEE AS CASH TRANSFERS WITHOUT ANY INFORMATION ON HOW IT WAS USED. THE AGENCY'S SUBSIDIARY IS ESSENTIAL TO THE AGENCY'S CONTINUED EXISTENCE; IN FACT, THE ACTIVITIES OF THE SUBSIDIARY REPRESENT THE REASON THE AGENCY WAS FORMED. ALTHOUGH IN THIS CASE THE REGISTERED AGENCY VOLUNTARILY MADE THE ADVISORY COMMITTEE AWARE OF ITS SUBSIDIARIES AND OTHER AFFILIATED ORGANIZATIONS, IT WAS NOT REQUIRED TO DO SO.

NEED FOR EVALUATING VOLUNTARY AGENCY MANAGEMENT SYSTEMS

ALL FIVE OF THE VOLUNTARY AGENCIES WHICH WE REVIEWED WERE GENERALLY USING THEIR RESOURCES FOR WORTHWHILE PURPOSES AND IN THE PUBLIC INTEREST. HOWEVER, ALL OF THESE AGENCIES HAD SOME MANAGEMENT WEAKNESSES. FOR EXAMPLE:

--ONE AGENCY WAS TRANSMITTING FUNDS FOR CONTRIBUTORS TO NON-AFFILIATED ORGANIZATIONS OVER WHICH THEY HAD NO CONTROLS AND LITTLE KNOWLEDGE

--ONE AGENCY HAD NOT DEVELOPED GUIDELINES FOR USE BY AFFILIATED PROJECTS IN ACCOUNTING FOR THE AGENCY'S CONTRIBUTED FUNDS, AND THEREFORE THE AGENCY HAD NO ASSURANCE OR KNOWLEDGE AS TO IF AND HOW THE FUNDS WERE USED.

--ONE AGENCY REQUIRES ITS AFFILIATED PROJECTS TO REPORT WHENEVER A SPONSORED CHILD LEAVES A PROJECT. AT TWO OF THE PROJECTS WE VISITED, WE NOTED THAT THERE HAD BEEN SIGNIFICANT DELAYS IN SUBMITTING THE REQUIRED REPORTS.

--ONE AGENCY WAS UNABLE TO SATISFACTORILY EVALUATE ITS MANY PROJECTS. ONE EXAMPLE OF THIS WAS THAT TWO FIELD OFFICE EMPLOYEES WERE RESPONSIBLE FOR MONITORING AND INSPECTING OVER 160 PROJECTS IN SIX COUNTRIES.

- --ONE AGENCY WAS NOT RECEIVING ADEQUATE FINANCIAL DATA FROM ITS OVERSEAS SUBSIDIARY AND, THEREFORE, ADEQUATE MANAGEMENT CONTROL BY THE HOME OFFICE WAS DIFFICULT.
- --NONE OF THE AGENCIES HAD DEVELOPED ANY OBJECTIVE SYSTEMS TO PERIODICALLY EVALUATE EFFECTIVENESS OF THEIR VARIOUS PROGRAMS.

IN THESE CASES THE AGENCIES TOOK CORRECTIVE ACTIONS OR ARE STUDYING THE PROBLEMS TO DETERMINE APPROPRIATE SOLUTIONS, BUT THE ADVISORY COMMITTEE HAS NO WAY OF KNOWING WHETHER OTHER VOLUNTARY AGENCIES HAVE SIMILAR PROBLEMS. EVALUATING SUCH AGENCIES' MANAGEMENT CONTROL SYSTEMS AT THEIR HEADQUARTERS OFFICES AND OVERSEAS LOCATIONS WHEN THEY APPLY FOR REGISTRATION

WOULD SERVE TO IDENTIFY POTENTIAL PROBLEMS THAT COULD RESULT IN FEWER BENEFITS TO THE RECIPIENTS. CORRECTIVE ACTION COULD THEN BE REQUIRED AS A PREREQUISITE TO REGISTRATION.

NEED FOR PERIODIC MANAGEMENT REVIEWS

THE ADVISORY COMMITTEE HAS NOT BEEN EFFECTIVELY MONITORING THE ACTIVITIES OF VOLUNTARY AGENCIES AFTER REGISTRATION. IT DOES NOT PERIODICALLY DETERMINE THAT THESE AGENCIES CONTINUE TO MEET ESTABLISHED REGISTRATION CRITERIA EXCEPT FOR A REQUIREMENT THAT FUND-RAISING COSTS BE LIMITED.

ONE OF THE COMMITTEE'S FUNCTIONS IS TO CORRELATE U.S. PRIVATE VOLUNTARY AGENCIES' PROGRAMS WITH THOSE OF THE U.S. GOVERNMENT. NEITHER THE COMMITTEE, AID, NOR THE STATE DEPARTMENT WERE KNOWLEDGEABLE ABOUT THE ACTIVITIES OF THESE AGENCIES IN SOME COUNTRIES. THUS, THEY COULD NOT KNOW WHETHER THESE ACTIVITIES WERE CONSISTENT WITH U.S. OBJECTIVES IN THOSE COUNTRIES. EMBASSY PERSONNEL IN ONE COUNTRY WE VISITED WERE NOT EVEN AWARE THAT ONE OF THE AGENCIES OPERATED IN THAT COUNTRY.

ALSO, NEITHER THE ADVISORY COMMITTEE NOR ITS SUPPORTING STAFF MAKES AUDITS OR REVIEWS AT THE AGENCIES' HEADQUARTERS OR OVERSEAS OFFICES. WE ALSO DETERMINED IN THOSE COUNTRIES WE VISITED THAT THE FIVE AGENCIES' ACTIVITIES WERE NOT REVIEWED BY ANYONE FROM THE U.S. EMBASSIES OR AID MISSIONS.

UNLESS THE ADVISORY COMMITTEE OBTAINS PERIODIC EVALUATIONS OF THE VOLUNTARY AGENCY ACTIVITIES AT OVERSEAS LOCATIONS IT CANNOT BE ASSURED THAT THE AGENCIES ARE MEETING CERTAIN REGISTRATION CRITERIA. FOR EXAMPLE, THE COMMITTEE CANNOT DETERMINE WHETHER THE AGENCIES ARE UNDERTAKING ONLY ACTIVITIES CONSISTENT WITH ACCOMPLISHING OBJECTIVES FILED WITH IT WITHOUT ACTUALLY REVIEWING OVERSEAS ACTIVITIES.

ADVISORY COMMITTEE MONITORING HAS BEEN LARGELY LIMITED TO REVIEWING FINANCIAL DATA SUBMITTED BY THE VOLUNTARY AGENCIES. THE AGENCIES ARE ASKED TO SUBMIT ANNUAL FINANCIAL STATEMENTS THAT HAVE BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND A STATEMENT OF INCOME AND EXPENDITURES PREPARED IN A FORMAT

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PRESCRIBED BY THE COMMITTEE. THE COMMITTEE'S STAFF REVIEW OF THESE STATEMENTS IS CONCERNED PRIMARILY WITH DETERMINING THAT NO UNREASONABLE PROMOTION, PUBLICITY, FUND RAISING, OR ADMINISTRATIVE COSTS OCCUR, EITHER IN THE UNITED STATES OR OVERSEAS.

THE ADVISORY COMMITTEE HAS ESTABLISHED A REQUIREMENT THAT A VOLUNTARY AGENCY NOT INCUR EXCESSIVE COSTS FOR FUND-RAISING ACTIVITIES. CURRENT GUIDELINES PROVIDE THAT WHEN A REGISTERED AGENCY'S FUND-RAISING COSTS REACH 20 PERCENT OF ITS CASH INCOME AND THE VALUE OF PUBLICLY CONTRIBUTED GIFTS IN KIND, THE COMMITTEE IS TO NOTIFY THE AGENCY OF ITS CONCERN AND SEEK REMEDIAL ACTION. IF CORRECTIVE ACTION IS NOT TAKEN WITHIN A REASONABLE TIME, THE AGENCY IS TO BE CALLED IN FOR REVIEW BY THE ADVISORY COMMITTEE'S SUBCOMMITTEE ON FUND RAISING AND FINANCE. REGISTERED AGENCIES WHOSE FUND-RAISING COSTS EQUAL OR EXCEED 30 PERCENT, WHEN THIS SAME FORMULA IS APPLIED, ARE TO BE BROUGHT TO THE ATTENTION OF THE SUBCOMMITTEE WITHOUT PRIOR NOTICE.

AS DISCUSSED IN THE COMPTROLLER GENERAL'S "STANDARDS FOR AUDIT OF GOVERNMENTAL ORGANIZATIONS, PROGRAMS, ACTIVITIES, AND FUNCTIONS", AGENCIES ENTRUSTED WITH PUBLIC RESOURCES AND AUTHORITY FOR APPLYING THEM HAVE A RESPONSIBILITY TO RENDER A FULL ACCOUNTING OF THEIR ACTIVITIES. THE COMPTROLLER GENERAL'S STANDARDS CALL FOR A SCOPE OF AUDIT THAT INCLUDES NOT ONLY FINANCIAL AND COMPLIANCE AUDITING, BUT ALSO AUDITING FOR ECONOMY, EFFICIENCY, AND ACHIEVEMENT OF DESIRED RESULTS. NONE OF THE AGENCIES WE REVIEWED WERE BEING AUDITED TO THIS EXTENT. IN FACT, SOME OF THE AUDITS DID NOT EVEN COVER EXPENDITURES MADE OVERSEAS, ALTHOUGH THAT IS GENERALLY WHERE THE BULK OF THE AGENCY RESOURCES WERE EXPENDED.

LIMITED VALUE OF FINANCIAL DATA FURNISHED TO ADVISORY COMMITTEE

STATEMENTS SUBMITTED IN CONFORMANCE TO THE REQUIREMENT FOR PERIODIC AUDITS BY CERTIFIED PUBLIC ACCOUNTANTS DO NOT ADDRESS THE QUESTION OF PROGRAM DIRECTION, EFFICIENCY, OR EFFECTIVENESS. SOME OF THESE ACCOUNTANTS ALSO QUALIFIED THEIR OPINIONS BECAUSE THEY DID NOT DETERMINE THAT ALL RECEIPTS HAD BEEN RECORDED BY THE AGENCIES. SOME OF THE SMALLER AGENCIES DO NOT SUBMIT CERTIFIED FINANCIAL STATEMENTS.

THE FIVE AGENCIES WE REVIEWED HAD BEEN SUBMITTING CERTIFIED PUBLIC ACCOUNTANT STATEMENTS, BUT SOME WERE INCOMPLETE, OR OTHERWISE INSUFFICIENT FOR MAKING MEANINGFUL ANALYSES. FOR EXAMPLE, ONE AGENCY HAD CLASSIFIED SOME OF ITS PROMOTION AND FUND-RAISING EXPENSES AS PROGRAM COSTS, WHICH RESULTED IN ITS APPEARING TO HAVE A MORE FAVORABLE RATIO OF TOTAL INCOME TO FUND-RAISING COSTS THAN WAS REALLY THE CASE. THE ADVISORY COMMITTEE STAFF WAS NOT OBTAINING ENOUGH INFORMATION FROM THE

VOLUNTARY AGENCY TO BE ABLE TO IDENTIFY SUCH ERRORS. SOME AGENCIES DID NOT REPORT THE VALUE OF DONATED MERCHANDISE, SOME DID NOT DISCLOSE FIELD OFFICE COSTS, AND SOME DID NOT REPORT INCOME FROM OVERSEAS OPERATIONS.

ANOTHER LIMITATION ON THE ADVISORY COMMITTEE'S ABILITY TO ANALYZE THESE REPORTS IS CAUSED BY NONUNIFORM REPORTING PRACTICES. FOR EXAMPLE, ONE OF THE FIVE AGENCIES WE REVIEWED DID NOT RECORD DEPRECIATION AND TWO DID NOT PROVIDE A BREAKDOWN OF EXPENSES BY COST ELEMENT SUCH AS SALARIES, TRAVEL, AND RENT.

ADVISORY COMMITTEE REVIEWS ARE HINDERED BY DIFFERENCES OF OPINION IN DEFINING AND CLASSIFYING PROGRAM COSTS. FOR EXAMPLE, THREE OF THE AGENCIES TREATED ALL OF THE COST OF OPERATING OVERSEAS FIELD OFFICES AS PROGRAM COSTS WHILE OTHERS CONSIDERED SOME OF THESE COSTS TO BE SUPPORTING OR ADMINISTRATIVE COSTS.

STILL ANOTHER PROBLEM IN REVIEWING AGENCIES'FINANCIAL STATEMENTS WAS THE METHOD USED BY THE ADVISORY COMMITTEE STAFF IN

ANALYZING ADMINISTRATIVE AND FUND-RAISING COSTS. WHEN THE COMMITTEE COMPARED THE PERCENTAGE OF ADMINISTRATIVE COSTS TO TOTAL RECEIPTS IT EXCLUDED ANY GENERAL MANAGEMENT COSTS THAT WERE REPORTED AS NOT BEING SPECIFICALLY IDENTIFIABLE WITH DOMESTIC OR OVERSEAS PROGRAMS. SIMILARLY, WHEN COMPARING FUND-RAISING COSTS TO TOTAL RECEIPTS, THE COSTS OF SPECIAL FUND-RAISING EVENTS AND CAMPAIGNS WERE NOT CONSIDERED. ADVISORY COMMITTEE STAFF COULD NOT EXPLAIN WHY THESE COSTS WERE EXCLUDED BUT ACKNOWLEDGED THAT THEY PROBABLY SHOULD BE CONSIDERED.

COMPARING FUND-RAISING COSTS TO TOTAL RECEIPTS MAY BE AN INAPPROPRIATE PRACTICE IN SOME CASES. SOME AGENCIES HAVE SIGNIFICANT SOURCES OF INCOME OTHER THAN CONTRIBUTIONS THAT ARE NOT RELATED TO FUND-RAISING EFFORTS. FOR EXAMPLE, ALL VOLUNTARY AGENCIES HAD INVESTMENT INCOME. ONE RECEIVED NEARLY TWO-THIRDS OF ITS INCOME FROM PROGRAM SERVICE FEES, AND ITS

TOTAL FUND-RAISING COSTS WERE ONLY 4 PERCENT OF TOTAL RECEIPTS. HOWEVER, A COMPARISON OF TOTAL FUND-RAISING COSTS TO RECEIPTS FROM THE GENERAL PUBLIC, THE PRIMARY TARGET OF PROMOTION ACTIVITIES, RAISED THE PERCENTAGE TO MORE THAN 16 PERCENT.

IN ADDITION TO FINANCIAL REPORTS, THE ADVISORY COMMITTEE RECEIVES FROM SOME AGENCIES ANNUAL PROGRAM REPORTS AND OTHER DOCUMENTS THAT CAN BE USED AS A BASIS FOR MONITORING AND QUESTIONING AGENCIES' ACTIVITIES. WE IDENTIFIED TWO CASES WHERE AGENCIES WERE NOT STRICTLY MEETING REGISTRATION CRITERIA. ONE AGENCY WAS VIOLATING THE REQUIREMENT THAT BOARD MEMBERS SERVE WITHOUT COMPENSATION. THE ADVISORY COMMITTEE HAD BEEN PROVIDED WITH THE AGENCY'S REVISED BY-LAWS WHICH ALLOWED SUCH

COMPENSATION. ANOTHER AGENCY WAS NOT MEETING THE CRITERIA THAT ITS PRIMARY PURPOSE BE TO ENGAGE IN VOLUNTARY FOREIGN AID. ALTHOUGH IT HAS PROGRAMS OVERSEAS, ITS REPORTS TO THE COMMITTEE SHOWED THAT ITS LARGEST PROGRAMS WERE DOMESTIC. THE ADVISORY COMMITTEE WAS NOT AWARE OF THESE SITUATIONS OR HAD NOT TAKEN CORRECTIVE ACTION.

CONCLUSIONS

THE COMMITTEE, AS PRESENTLY EMPOWERED AND FUNDED, IS UNABLE TO ADEQUATELY EVALUATE A VOLUNTARY AGENCY'S ELIGIBILITY FOR REGISTRATION OR TO EFFECTIVELY MONITOR THE AGENCY'S ACTIVITIES TO ASSURE THAT IT CONTINUES TO MEET REGISTRATION STANDARDS. TO THE EXTENT THAT THE CONTRIBUTING PUBLIC RELIES ON REGISTRATION OF THE AGENCY WITH THE COMMITTEE AS A SEAL OF GOVERNMENT APPROVAL, THE REGISTRATION PROGRAM MAY BE MORE MISLEADING THAN BENEFICIAL.

THE COMMITTEE DOES NOT HAVE THE STAFF NEEDED TO VERIFY INFORMATION SUBMITTED TO IT BY THE AGENCIES IN PURSUIT OF REGISTRATION OR TO CONDUCT REVIEWS OF THE AGENCIES' HEADQUARTERS OPERATIONS, OVERSEAS ACTIVITIES, AND AFFILIATED BUT UNREGISTERED ORGANIZATIONS. ITS MONITORING HAS BEEN LARGELY RESTRICTED TO REVIEWING LIMITED FINANCIAL INFORMATION SUBMITTED BY THESE AGENCIES AND THIS REVIEW IS OF LIMITED VALUE BECAUSE OF THE INCOMPLETENESS AND/OR LACK OF UNIFORMITY IN THIS DATA. ANALYSES OF FUND-RAISING AND ADMINISTRATIVE COSTS, THE COMMITTEE'S MAJOR CONCERN, WAS NOT ALWAYS MEANINGFUL BECAUSE THE COMMITTEE DID NOT CONSIDER INDIVIDUAL DIFFERENCES IN FUND-RAISING PRACTICES AND, IN SOME CASES, DID NOT INCLUDE ALL APPROPRIATE COSTS. ANALYSES OF FINANCIAL REPORTS IN GENERAL WERE DIFFICULT AT BEST BECAUSE OF THE DIFFERENT REPORTING PRACTICES USED BY THE VARIOUS AGENCIES.

FROM OUR REVIEW OF THE THE COMMITTEE'S RELATIONSHIPS WITH THE FIVE SELECTED AGENCIES AND FROM EARLIER WORK DONE AT YOUR REQUEST, WE BELIEVE THAT THE COMMITTEE'S REGISTRATION AND COMPLIANCE ACTIVITIES ARE NOT COMPREHENSIVE ENOUGH TO PROVIDE EITHER THE RECIPIENT CHILDREN OR THE CONTRIBUTING PUBLIC WITH ANY SIGNIFICANT MEASURE OF PROTECTION. IN FACT, WE BELIEVE THAT BY ALLOWING

AGENCIES TO ADVERTISE THAT THEY ARE REGISTERED, THE COMMITTEE MAY BE UNWITTINGLY PERMITTING THE PUBLIC TO BE MISLED TO THE EXTENT THAT CONTRIBUTORS RELY ON REGISTRATION AS A SEAL OF GOVERNMENT APPROVAL AND ASSURANCE THAT THEIR CONTRIBUTIONS WILL BE USED COMPETENTLY AND IN THE PUBLIC INTEREST. WE SUGGEST THAT PROHIBITING ANY VOLUNTARY AGENCY FROM REFERRING TO ITS REGISTERED STATUS IN ANY ADVERTISEMENT OR OTHER PUBLICITY MATERIAL BE CONSIDERED.

WHETHER A REQUIREMENT IS TO BE ESTABLISHED FOR IMPLEMENTATION OF A STRONGER AND MORE EFFECTIVE REGISTRATION SYSTEM FOR ORGANIZATIONS THAT RECEIVE GOVERNMENT ASSISTANCE AND/OR SOLICIT SUPPORT OF ANY TYPE FROM THE GENERAL PUBLIC, INCLUDING THOSE ENGAGED IN VOLUNTARY FOREIGN AID, IS A MATTER FOR DELIBERATION BY YOUR SUBCOMMITTEE AND FOR FURTHER CONSIDERATION OF THE CONGRESS. IF A MORE EFFECTIVE SYSTEM IS TO BE ESTABLISHED, WE BELIEVE THAT OUR REVIEW HAS SHOWN THAT CONSIDERATION SHOULD BE GIVEN TO INCLUDING THE FOLLOWING AS ESSENTIAL ELEMENTS OF THE PROGRAM:

--EACH VOLUNTARY AGENCY'S MANAGEMENT SYSTEM SHOULD BE BE REVIEWED BEFORE REGISTRATION TO DETERMINE THAT SATISFACTORY CONTROLS EXIST TO INSURE THAT SERVICES AND RESOURCES ARE ADMINISTERED COMPETENTLY IN THE PUBLIC INTEREST.

--PERIODIC FOLLOWUP REVIEWS SHOULD BE CONDUCTED AT HEADQUARTERS AND OVERSEAS LOCATIONS TO ASSURE THAT THE AGENCIES CONTINUE TO MEET REGISTRATION REQUIREMENTS.

--ALL VOLUNTARY AGENCIES SHOULD BE REQUIRED TO FOLLOW UNIFORM FINANCIAL REPORTING PRACTICES AND TO SUBMIT ANNUAL CERTIFIED PUBLIC ACCOUNTANTS REPORTS.

--AUDITS IN ACCORDANCE WITH COMPTROLLER GENERAL'S "STANDARDS FOR AUDIT OF GOVERNMENT ORGANIZATIONS, PROGRAMS, ACTIVITIES, AND FUNCTIONS" SHOULD BE MADE OF VOLUNTARY AGENCIES' PROGRAMS THAT RECEIVE SUBSTANTIVE SUPPORT FROM THE GOVERNMENT. SUCH AUDITS

SHOULD BE MADE BY THE AUDIT RESOURCES AVAILABLE TO THE COGNIZANT GOVERNMENT AGENCIES, AND, IF FEASIBLE, BY THE AUDIT RESOURCES THAT ARE AVAILABLE TO THE SUPPORTED VOLUNTARY AGENCIES.

--MEANINGFUL GUIDELINES SHOULD BE ESTABLISHED FOR REVIEWING AGENCIES' ADMINISTRATIVE-GENERAL MANAGEMENT AND PUBLICITY-FUND-RAISING COSTS WHICH CONSIDER THE INDIVIDUAL DIFFERERENCES IN OPERATING AND FUND-RAISING PRACTICES.

--EACH REGISTERED AGENCY SHOULD BE REQUIRED TO PROVIDE NEEDED FINANCIAL AND OPERATIONAL INFORMATION CONCERNING ALL AFFILIATED ORGANIZATIONS DISBURSING THE REGISTERED AGENCY'S FUNDS.

WE RECOGNIZE THAT REGISTRATION AND PERIODIC REPORTING BY REGISTERED AGENCIES DOES BENEFIT THE CONTRIBUTING PUBLIC AND THE RECIPIENT CHILDREN TO THE EXTENT THAT ADVISORY COMMITTEE REVIEWS HELP KEEP AGENCIES' ADMINISTRATIVE AND FUND-RAISING COSTS DOWN. WE ALSO RECOGNIZE THAT INCREASED COSTS WOULD BE

INCURRED BY BOTH THE GOVERNMENT AND THE AGENCIES IF THE ADVISORY COMMITTEE WERE TO STRENGTHEN ITS OVERVIEW CAPABILITIES. WE DID NOT DETERMINE WHAT THESE INCREASED COSTS WOULD BE OR WHETHER THEY WOULD BE JUSTIFIED BY THE RESULTS.

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Senator MONDALE. Our next witnesses are representatives of the U.S. Agency for International Development, Mr. Jarold Kieffer, Assistant Administrator for Population and Humanitarian Assistance and Robert McClusky, Acting Executive Director, Advisory Committee on Voluntary Foreign Aid.

STATEMENT OF JAROLD KIEFFER, ASSISTANT ADMINISTRATOR FOR POPULATION AND HUMANITARIAN ASSISTANCE, U.S. AID; ACCOMPANIED BY ROBERT McCLUSKY, ACTING EXECUTIVE DIRECTOR, ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID; MRS. MARGARET HICKEY, CHAIRMAN, ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID; AND UGO CARUSI, MEMBER, ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

Mr. KIEFFER. Mr. Chairman, with your permission I would like to have with me Margaret Hickey, who last year was made Chairman of the Advisory Committee, and this is Mr. McClusky, who very recently was made Acting Executive director of the Committee.

Senator MONDALE. I would hope that at least the head of the GAO team might stay around.

If you will proceed.

Mr. KIEFFER. Also with us is Ugo Carusi, a member of the Advisory Committee who has been involved for quite a while on registration matters.

Senator MONDALE. If you will proceed.

Mr. KIEFFER. Thank you, Mr. Chairman. I appreciate this chance to provide testimony to your subcommittee in connection with its inquiry.

Your subcommittee and the GAO investigation have gotten into a subject which is not only very complex, but which for several years now has been under increasing scrutiny, debate, and rethinking from a number of standpoints.

Indeed, if my statement or answers here today have some trouble tracking with the path of your inquiry, it is because our respective inquiries into the registration matter converge on some of the same points but started for different reasons and have different objectives.

While we share a mutual concern for donor and recipient interests, AID also sees the subject or registration in the context of some broad issues arising from the changing character of the foreign assistance program and the changing roles played by AID, the developing countries, and the private and voluntary agencies.

As I examined the GAO material and statements on the registration activity, I was struck anew by the anomaly of the position of AID and the Advisory Committee on Voluntary Foreign Aid in all of this.

If one assumes that the registration activity was to be for the purpose of protecting the public against unethical or unintended uses of contributed funds, the GAO quite logically concluded that the Advisory Committee really has been unable to know whether the public is being given that protection.

Senator MONDALE. Mr. Kieffer, according to GAO, your own regulations require that any applicants for registration must be controlled by a responsible body, which exercises controls to assure that services and resources are administered competently, will submit financial reports required by the Committee, will undertake only activities consistent with the accomplishments and objectives filed with the Advisory Committee, will obtain and distribute resources ethically without unreasonable cost for promotion, publicity, fund raising, and administration.

Is that an accurate representation of your own regulations?

Mr. KIEFFER. That is correct, sir.

Senator MONDALE. Now if an American citizen was aware of these regulations, why should he not assume that a registered agency fulfills those objectives?

Mr. KEIFFER. If I were an American citizen in that position, that is exactly what I would conclude.

Senator MONDALE. Then why does your sentence say, "if one assumes"—what else would they assume?

Mr. KIEFFER. In the rest of my statement, sir, I point out the fact that the registration activity was put into the law for rather different purposes.

Senator MONDALE. You mean regulations are not important?

Mr. KIEFFER. I did not say that.

Senator MONDALE. What do they mean?

Mr. KIEFFER. The registration activity grew up——

Senator MONDALE. What do your regulations mean if they are not binding?

Mr. KIEFFER. They are what the Committee intended to happen.

Senator MONDALE. All right. Go ahead.

Mr. KIEFFER. Yet, alongside of that it can be asserted that over many years remarkably little by way of serious abuse of the public trust actually has developed among the private and voluntary agencies registered by the Advisory Committee.

Senator MONDALE. How would you know?

Mr. KIEFFER. That is my next question. Are these two positions in conflict with each other?

Senator MONDALE. No—I mean how do you know whether there have been serious abuses?

Mr. KIEFFER. I say down below, sir, that while one can note that few serious abuses have turned up, it also could be argued that the means have not existed to uncover them. The only way in the world they would be known would be if they could come to public attention by some other method.

Senator MONDALE. OK. Proceed.

Mr. KIEFFER. Or, we could say with great conviction that the great spirit and voluntary dedication of the people of the registered agencies have themselves been a powerful deterrent to abuses.

Or, we also could pay well earned tribute to the Advisory Committee which over the years has served the public on a completely voluntary basis with the help of only a tiny staff. The Committee sifted and sorted the applications for registration, grilled the leaderships of the applicant organizations, and demanded more or better information before accepting any group for registration.

Undoubtedly, both of the above factors headed off serious "horror" stories among our registered voluntary agencies active in the developing world.

At the heart of the GAO findings, however, is still the problem that registration has come to be used as a Good Housekeeping Seal of Approval for private and voluntary agencies in their public solicitations.

Yet, GAO finds, and accurately so, that:

1. The Advisory Committee really does not have the means to handle the policing job in all of the ways that are critical if the public is to have the kind of assurance it deserves; and

2. The continued new registration of private and voluntary agencies and the absence of cases of de-registration of already registered agencies leaves the public with no way of really knowing for sure that its interests are soundly protected.

How do these things happen, and equally important, what can and should be done?

While any Congressional-GAO inquiry on this subject produces a certain amount of natural defensiveness in the bureaucracy, the Advisory Committee and the private and voluntary community, I know from my own experience that all of these groups have recognized that the present situation must be improved upon.

The question really is: "How, and to what extent?"

I have found it useful to review the origins of the registration activity, and I know your subcommittee has done likewise. A relatively brief but useful historical summary can be found on pages 126–146 of the recent report of the Advisory Committee on Voluntary Foreign Aid, entitled "The Role of Voluntary Agencies in International Assistance—A Look to the Future." This material can be submitted for the subcommittee's record.

From this review several facts pertinent here are worth noting.

First, the idea of registration never had a clear definition by Congress. Even today, while registration of private and voluntary agencies is required by law in a number of instances, Congress has not spelled out a purpose, policy, or philosophy about it.

Second, whatever criteria for screening or action developed over the years on whether or not to register applicant agencies have grown up on an ad hoc basis, by administrative and Advisory Committee determinations and discretion.

Third, although the Advisory Committee's authority in registration only relates to certain subventions for which private and voluntary agencies can be eligible under the foreign assistance program and Public Law 480, some agencies, once registered, use this registration as a Good Housekeeping Seal of Approval in fundraising or other contexts that have nothing to do with the foreign assistance program and Public Law 480. Presumably these other contexts could or should be regulated by other jurisdictions and means.

Senator MONDALE. You heard the Comptroller General's statement that the committee had told unregistered agencies that in lieu of registration they should try to obtain ocean freight or Public Law 480 food assistance for other registered voluntary agencies, and that you have not been encouraging voluntary agencies to register, is that correct?

Mr. KIEFFER. I will let the chairman of the Committee make a comment. I am not aware that that is a matter of policy, no.

Senator MONDALE. Are you the staff director?

Mr. KIEFFER. No. Mr. McClusky is acting staff director.

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Senator **MONDALE.** Mr. McClusky, maybe you could answer that. Does staff discourage registration?

Mr. **MCCLUSKY.** My understanding on this—and this is new, since I am new to the job——

Senator **MONDALE.** How long have you been there?

Mr. **MCCLUSKY.** I have been there since the middle of August. My understanding is there are instances in which an organization is not necessarily disqualified for registration. There are instances in which in light of the need that the voluntary agency would have to set up costly overseas machinery, and that the suggestion is made that they might discuss their program purposes with a registered organization. An example would be a situation in which an organization is concerned with distribution of food abroad. The food program requires that the organization have a validated program in the country which entails the need for an American citizen there. In some instances I understand a small organization emerging in light of an emergency may have a desire to be responsive, such as in the Peru situation and it is suggested thus that they discuss their program purposes with a registered organization. The registered organization, if it undertakes any action with that voluntary organization, does so within their own responsibilities in the same manner as though they were conducting the undertaking as part of their own program.

Senator **MONDALE.** Proceed.

MR. KIEFFER. Fourth, the Advisory Committee, a part-time body made up of 11 volunteer citizens, supported by a tiny staff, never has had the capacity for, or indeed, the assigned mission of, maintaining an in-depth and continuing surveillance over the domestic and foreign operations of hundreds of diverse voluntary agencies in order to assure the American public, the U.S. Government, the Congress, and foreign publics and governments that the private and voluntary agencies out seeking contributions from the American people or others for countless purposes are soundly financed, led, and managed and are doing for needy people exactly what their fundraising appeals promised.

Fifth, in some respects it is an exaggeration to speak of the private and voluntary "community." It include the "bigs" and "smalls"; those that do a lot of fundraising and those that do little.

While all are private, not all are voluntary. Some want to be registered to qualify for certain Government assistance abroad; others want registration, but make no claim for Government assistance.

Some are substantially helped by the U.S. Government; others want no relationship to the Government and resent bitterly any Government intrusion in their financial or program affairs—yet they wish the "benefits" of registration.

Senator **MONDALE.** Would you agree with the GAO's finding that many register solely for the purpose of being able to use the AID name on their public solicitation?

Mr. **KIEFFER.** I would have to, sir, because if they do not come in and claim subventions that would be the only other purpose left.

Sixth, AID scrutinizes private and voluntary agencies that are actual or applicant contractors and grantees more stringently than the Advisory Committee does when it is acting on a registration case.

Yet, it has been urged by some that the requirement of registration be extended to a broader range of private and voluntary groups that apply for or receive AID grants or contracts. I could go on cataloging more anomalies.

Not long after I came to my present AID responsibilities in 1972, I became aware that the subject of registration was a vexing thing in our relationships with the private and voluntary community and that there was a good deal of tension on who should be covered by registration.

While I felt that the subject of coverage was a fair matter for review and possible change, I believe that two more fundamental issues needed to be faced—first—what had registration and approval by the Advisory Committee actually come to mean, both in concept and real "consumer protection" terms, and second—given the rapidly changing character of the foreign assistance program, the changing roles, forms, and interests of the private and voluntary agencies, and the shrinking amounts of Public Law 480 food stocks whose use by private agencies requires registration and the possible introduction of alternative or other forms of assistance to them—what then should be the nature of an improved registration system?

The Advisory Committee at that time was preparing a general report on the future of voluntary foreign aid, and in this connection was examining the subject of registration. I did not feel, however, that the committee inquiry was fundamental enough, so on February 15, 1973, I prepared a set of five questions which the Committee agreed to use as a basis for its work.

The questions are as follows:

1. Why registration? What is it? What does it mean to the registered voluntary organizations? To the Government? To the public? Since Congress did not specify the content of registration, is the information requested from and kept on each agency really meaningful for the purposes that the Committee says registration serves?

2. Given changing conditions affecting the foreign assistance program, and the evolving interests of the private voluntary agencies—are the reasons for registration still valid? What are the trends on the use of subventions? Reasons? What is the likelihood of further changes in the availability of the types of subventions currently available? If the availability of any or all of the subventions is to be sharply down, should registration still be required?

3. Should registration be extended to make it applicable to all private and voluntary groups that apply for or receive AID assistance, grants, or contracts?

Should the requirement and/or content of registration vary according to the type of (a) private/Government assistance arrangement involved; (b) private and voluntary activity involved; or (c) other?

4. Do contractors and grantees go through the equivalent of registration or do they go through even greater requirements of Government inspection of character, finances, and leadership than do other organizations?

5. What conclusions can be drawn or recommendations made about keeping, modifying, varying, extending, and administering registration?

At the end of March 1973, a specially designated subcommittee presented partial answers to the full committee which adopted them. I felt, however, that the committee needed to grapple more conclusively with all of the five questions, including the matter of how and to what extent the committee could improve its follow-on monitoring of agencies after they are registered.

This was discussed over the next several months, but things fell into some disarray during the summer of 1973 because we were recruiting a new committee director, and the head of the registration study group was sidelined by severe illness.

The Advisory Committee and AID agreed that an additional effort should be made, and it was authorized in early 1974.

There was some bureaucratic trauma following there, but we are now moving on with it.

Naturally I and the others you will hear from have some ideas, and we will be glad to discuss them with you here or informally as you proceed in bill drafting.

As I said at the beginning of this statement, this is an exceedingly complex subject in which the very attempts we make to secure one public objective may put us on a collision course with another equally good public objective.

How can Government protect the donors and consumers on the one hand, and on the other avoid crushing the unique volunteer can-do spirit of American organizations under an overburden of Government rules, information gathering, audits, and second-guessing at home and abroad? Obviously, it isn't either/or, but rather a question of prudent balance between desirable action and regulation of the actors.

Also, whatever is to be done by the Advisory Committee and AID has to be manageably consistent with the actual provision of the necessary resources for them to do a meaningful job of it.

If we contemplate the implied resource base inherent in the kind of administrative oversight of registered agencies suggested in the remarks of the GAO, then AID, with the sympathetic help of Congress, must put the registration activity on a footing rather different from what has been available to date.

Finally, I return to the point that all or as little as registration means today, both in concept and practice, is the long-term result of administrative judgment heavily qualified and limited by the practicalities of doing something over a long time with just a handful of people.

That a number of public policy concerns are not adequately dealt with as a consequence is readily acknowledged. AID does not believe that the simple statutory words "registered and approved by the Advisory Committee on Voluntary Foreign Aid" are enough of a foundation on which to build sound public policy and action in such a complex area.

I appreciate that some aspects of this many-sided subject go beyond this subcommittee's jurisdiction. From our own registration study, we will no doubt present some ideas and issues to the Foreign Affairs and Foreign Relations Committees as well.

Personally, I welcome congressional interest in this area. A matter so complex needs more public airing and debate. Then, when all interests have spoken, perhaps some formula for compromising the various and possibly conflicting values and objectives can be fashioned.

Thank you.

Senator MONDALE. You heard the GAO's testimony this morning.

Mr. KIEFFER. Yes, sir.

Senator MONDALE. They concluded that the present AID office and committee are unable and are not protecting the donors or donees which give to registered charities—do you object to their findings?

Mr. KIEFFER. No, I do not at all, sir. I have been troubled about it for over a year.

Senator MONDALE. And his further testimony that the use of the AID name on advertisements probably brings to the public more assurance of protection than that registration really brings about in fact.

Mr. KIEFFER. Yes, sir. It is a paper shield.

Senator MONDALE. And that many of the organizations, many fine organizations for that matter, register for the purpose not of getting Government assistance, though some of them do—what do you call them, subventions—but in order to have the name on the advertising. What do you think we ought to do about it?

Mr. KIEFFER. Well, you have got to start with the objective that the public is entitled to the protection, and I have always believed that the paper shields are not only not useful, they are dangerous. I think we have to get back to the fact that there are two objectives in motion here. One is the encouragement, as a part of the overall objectives of the Foreign Assistance Act, of private and voluntary energy being applied to the problems of the developing world.

Senator MONDALE. And we want that.

Mr. KIEFFER. Congress wants it, the AID agency wants it. The problem is how to relate that energy to the resources that either come from private subscription or tax money.

Senator MONDALE. Will effective requirements of public disclosure in accounting undermine private and voluntary giving or will it actually encourage and strengthen public confidence in voluntary giving?

Mr. KIEFFER. I would think it will strengthen it.

Senator MONDALE. Is there any doubt about that?

Mr. KIEFFER. I do not have any. I think there will be some casualties along the way and some bad publicity perhaps, which will hurt temporarily.

Senator MONDALE. What do you think we ought to do?

Mr. KIEFFER. I have asked myself that a number of times. I keep asking myself, why do we even register. We register under law those agencies that request Public Law 480, ocean freight help, and surplus property, and yet we know that well over half of the agencies do not even come in and ask for that. So in the registration study that AID has begun, I am asking that question: Why do we do that?

Senator MONDALE. Would it be fair to say that you do not have any recommendations at this point?

Mr. KIEFFER. I have my own thoughts on the matter.

Senator MONDALE. That is what I want, that is what I thought maybe we could hear. What do you think we should do?

Mr. KIEFFER. It starts with staff, sir. You can have objectives. We have this AID regulation, which as I said before is an aspiration. But without staff, aspirations become, I feel, dangerous.

Senator MONDALE. Have you requested more staff?

Mr. KIEFFER. I have. And the answer has been a staff reduction. AID goes into reduction in force in November.

Senator MONDALE. I gather what you are saying is that maybe we ought to beef up the committee and its staff in a way that it will or can fulfill the objectives set forth in those regulations, so there would be a review of the financing and the achievement of the objectives of the charity.

Mr. KIEFFER. If we mean to have a shield up there, it should be a shield, yes.

I feel it can be done.

Senator MONDALE. How much money do you think we need to do that? What was your request? What did you ask for?

Mr. KIEFFER. Well, believe it or not, we asked that the staff director receive a helper and that there be additional program support staff. This is what was denied. Not because the administrator wanted to deny this request, he is under admonishment to reduce the whole agency force, and this one got caught along with all the rest. I consider the whole Office of Private and Voluntary Cooperation to be a backstop to the Committee insofar as it has people who could help make field investigations, and help on analyzing things that the voluntary agencies say they are going to do. However, that staff, including the Advisory Committee staff, is only 31, and it has many other AID priority responsibilities in working out private and voluntary relationships to the programing in developing countries. They are to be reduced by 7 by June 30.

My capacity to backstop this Committee is going to be considerably less.

Senator MONDALE. The situation will deteriorate?

Mr. KIEFFER. That is correct.

Senator MONDALE. Now if we cannot develop a staff and capability there which can protect the public, do you have any other alternative proposals?

Mr. KIEFFER. Yes, one of which of course is to reduce the scope of registration down to those agencies which are applying for the use of legislatively authorized subventions. That would cut the workload down. It does not help you in your inquiry. That is quite clear.

The other possibility is to abolish registration entirely on the point that if it turns out to be a meaningless thing in large measure, then it might be better to abolish registration, start over and think through a larger, possibly domestically oriented regulatory watch dog system which also then has an arm which looks at the foreign aspects of U.S. voluntary groups. We would cooperate with it.

Senator MONDALE. The GAO suggested requiring certified audits which included these questions of management, efficiency, fulfillment of objectives. Does that make sense? Would not that permit you to more effectively review these matters with a limited staff?

Mr. KIEFFER. I think it would help. On the business of actually checking out what happens overseas, I do not think that would help.

You really have to go out and look, see what is going on and talk with the people from the host country governments, talk with the people from the voluntary agencies in the field, visit their projects, see what they do, see what they do not do that they said they would.

Senator MONDALE. Do you get any cooperation from our embassy staff in the country in which these charities operate?

Mr. KIEFFER. It is not that they do not cooperate. They often are not aware of what these organizations do.

Senator MONDALE. Why could you not say we have registered organizations that are doing these things in Kenya, and ask the embassy staff just to check it out and see that things are going well and give you a report? Could you not do that?

Mr. KIEFFER. Well I have been obviously in many embassies and when I have visited there, I find often there is not even anybody to talk over AID matters. Maybe there is an economist there, and he is an economic adviser to the ambassador.

Senator MONDALE. They are too busy, is that what you are saying?

Mr. KIEFFER. Well, they are busy with what they do. They are just not zeroed in on the kinds of activities that developmental projects entail. Some of them differ. Obviously some of them are pretty careful observers. But others, there is no competence there to make those observations.

Senator MONDALE. When will this report you have asked for be ready?

Mr. KIEFFER. Well, it should have been ready now. It has been delayed by our personnel system in coughing up the desired person to do the job. But I will not bore you with that. It is a problem of getting people, but we have now located the person. He begins at the end of this month, and we hope it will not be a long inquiry because the issues are increasingly clear to view. It is really a matter of drawing up policy alternatives, and practical alternatives in the light of staffing realities.

Senator MONDALE. I would hope you would move fairly swiftly on that.

Mr. KIEFFER. I do too.

Senator MONDALE. Or come up with some recommendations and get the broad range of the better voluntary organizations in on the meeting and come up with some recommendations that fulfill the objectives of encouraging private voluntary giving, and at the same time protecting the public and the donees. Then come back up here so we can take care of the situation, which according to the GAO report, now is pretty indefensible.

Thank you very much.

[The prepared statement of the Advisory Committee on Voluntary Foreign Aid follows:]

STATEMENT OF
THE ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID BEFORE THE SUBCOMMITTEE ON CHILDREN AND YOUTH OF THE SENATE LABOR AND PUBLIC WELFARE COMMITTEE

October 10, 1974

Mr. Chairman:

The members of the Advisory Committee on Voluntary Foreign Aid are sincerely grateful to you and this Subcommittee for this opportunity to make what we hope will be a useful contribution to the inquiry which you have undertaken.

In the twenty-eight years of the Advisory Committee's existence, its members have been privileged to be associated with the great human enterprise which is referred to as voluntary foreign aid. We have sought to encourage the contribution of funds and services given by the American people through the registered voluntary agencies working overseas, and we hope that you will help us to sustain the faith and trust they have engendered in the American spirit.

The statement which Dr. Kieffer has presented today is one with which we are in complete accord. It touches many of our concerns and

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viewpoints, and thus permits desirable brevity on our part. We shall, therefore, limit ourselves to points to which we attach special significance as bearing upon the responsibilities of the Advisory Committee.

We have considered with care the GAO report and related material furnished us by your Subcommittee. There is much in the GAO presentation, particularly in the statistical and purely factual features, with which we do not disagree. However, there are some conclusions, factual and recommendatory, to which the Advisory Committee, through my presence here, would like to respond.

In general, the GAO's observations on the registration process underline the importance to the contributing public of the voluntary agencies' integrity, stability, efficiency and effectiveness. Obviously we agree, and we devote the authority and means we have to working with the registered agencies in their efforts to meet this responsibility.

We shall now refer to some of the points raised by the GAO in their assessment of areas in which there is room for improvement or change.

GAO questions the Advisory Committee's policy of not "encouraging" agencies to register. Indeed, in one part of its presentation it suggests that there be compulsory registration of voluntary agencies. Apart from the concept of the private, voluntary, and independent

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posture of the voluntary agencies, there are some very practical problems which attach to such an idea. We believe we need not detail the problems inherent in setting up a staff and office facilities of the magnitude which would be required, especially when one looks upon the limitations along that line which exist in current and pending foreign aid legislation. More importantly, if, as the GAO suggests, there must be rigid enforcement of the conditions of registration at the time of application approval and during the entire life of the registration, compulsory registration would present us with the enigma of reconciling insistence upon registration with failure to qualify. This difficulty would obtain in some degree in any official effort to "encourage" such registration.

GAO notes the inference of official endorsement which the contributing public may draw from the fact of registration. It suggests that consideration be given to prohibiting the registered agency from publisning that it is registered. We are studying ways to meet this issue, though it is not easy of solution. There is the basic question of the legality of banning an agency from stating a fact. Moreover, we cannot be unmindful that thousands of non-profit agencies throughout the country, including the agencies registered with our Committee, are permitted to publish that contributions made to them are tax-deductible by virtue of Internal Revenue Service certification, and they actually do so in their fund-raising solicitations, for whatever implied official endorsement it may imply. Beyond that, the agency could refer a contributing constituency to the Advisory Committee or to A.I.D. itself, either of which would be legally obliged to respond.

In further reference to the public view that registration amounts to an official stamp of agency reliability, GAO stresses the need to maintain a continuous and thorough monitoring of agency administration and operation. In principle, we agree. However, the statutes do not provide for such regulation and here again we mention the administrative problems and costs such monitoring would entail. The conduct of the registered agencies, with few exceptions, we believe merits the public confidence they have earned by the responsibility with which they are fulfilling their mission. We are confident that the well-known record of the registered agencies in their relief, refugee and development efforts speaks for itself.

GAO states it to be a responsibility of the Advisory Committee to coordinate the activities of the registered agencies with the foreign aid programs of the Government. This is not our understanding, and never has been. The voluntary agencies and their humanitarian operations, we believe, are independent, though often their activities coincide in location and type with those of the Government. Except in cases of U.S. grants, contracts, and subventions, which are carefully audited by A.I.D. and the GAO, the registered voluntary organizations use their own resources, derived from the generosity of the American people. Moreover, much of their activity is in areas of the world where there is neither an A.I.D. mission nor a foreign aid program of the Government of the United States.

There is in the GAO report what appears to be a criticism of registered agency use of subsidiaries or other entities, unregistered, in their operations. In some countries, it is practical to use indigenous personnel and agencies. In some, the services rendered by an American voluntary agency are through local hospitals, schools, agricultural organizations, and by recourse to local industrial and other availabilities. This is as useful as it is often necessary. In any event, ultimate responsibility to the American public continues to remain in the registered agency itself, whose integrity is the supporting beam.

GAO mentions the varying composition of auditors' reports submitted to the Advisory Committee by the registered agencies. In order to meet changing needs, the length of time an agency has been in existence, and new programs, especially in the developmental field, often mean changes in ratio of costs of administrative programs to fundraising. In cooperation with the American Institute of Certified Public Accountants, efforts to improve the standards and uniformity have been a major concern of the Advisory Committee for some time. We intend to emphasize that in a review of the overall study of the whole registration process referred to in detail by Dr. Kieffer.

In closing, we recognize that due to the complexities of the subject, we may not have given this Subcommittee as full and adequate an exposition as we or the Subcommittee may have desired. We shall do our utmost to deal with the entire range of Advisory Committee function and responsibility in the course of the study ordered by the Advisory Committee and to which Dr. Kieffer referred. We shall consider very carefully the matters presented in the GAO report and at this hearing, including those about which we may have expressed doubt today. We join with this Subcommittee in its purpose to insure that the voluntary foreign aid programs continue to be marked with integrity, efficiency, and beneficial results.

Thank you very much.

Senator MONDALE. Perhaps we could have a panel next with Father Robert Charlebois, Dr. Adams, Dr. DeMarco, Dr. Guyer, Gloria Matthews and Verent Mills.

We might start with Father Charlebois, and then go to Dr. Adams and so on.

STATEMENT OF FATHER ROBERT L. CHARLEBOIS, CHAIRMAN, CHILDREN'S COMMITTEE, AMERICAN COUNCIL OF VOLUNTARY AGENCIES, DR. JOHN E. ADAMS, EXECUTIVE DIRECTOR, HOLT ADOPTION PROGRAM, INC.; DAVID GUYER, EXECUTIVE DIRECTOR, SAVE THE CHILDREN FEDERATION; AND COMMUNITY DEVELOPMENT FOUNDATION; GLORIA C. MATTHEWS, INTERNATIONAL EXECUTIVE DIRECTOR, FOSTER PARENTS PLAN; AND VERENT J. MILLS, EXECUTIVE DIRECTOR, CHRISTIAN CHILDREN'S FUND, A PANEL

Father CHARLEBOIS. Mr. Chairman and members of the subcommittee, my name is Father Robert L. Charlebois, Chairman of the Children's Committee of the American Council of Voluntary Agencies for Foreign Service (ACVAFS). I also serve as regional director of Catholic Relief Services-U.S. Catholic Conference, one of the 43 U.S. voluntary, nonprofit organizations which are members of the ACVAFS and are listed at the end of this statement.

The American Council of Voluntary Agencies for Foreign Service is a membership organization incorporated in 1944 "to provide a means for consultation, coordination, and planning so that relief and reconstruction programs abroad may be carried on in the most effective way."

Among its members are the leading U.S. voluntary agencies with programs of aid and services throughout the world representing the major religious denominations as well as sectarian groupings, nationality organizations and associations. Through the ACVAFS, agency members coordinate their planned activities both at home and abroad, not only among themselves but also with nonmember agencies, and with governmental, intergovernmental and international organizations.

Thirty-seven of the 43 members of the American Council are registered with the Advisory Committee on Foreign Aid. To become eligible for membership in the ACVAFS as a voluntary organization, an agency must be primarily funded by voluntary contributions and must meet a set of requirements to insure that it is reliable and efficient in its operations, and ethical in its fund raising and promotional activities (see excerpts from the bylaws in attachment No. 2, p. 1110).

I would like to add that Save the Children Federation, one of the five audited agencies, has been a bonafide member of ACVAFS since 1964. It has responsibly, year after year, adhered to the membership obligations, as required of it, in accordance with the standards set by the Membership and Finance Committee of the American Council.

The overseas programs of the ACVAFS members encompass a wide range of assistance: disaster relief and rehabilitation, refugee resettlement and migration assistance, social and economic development in rural and urban areas throughout the world. Through these activities the agencies help children who are displaced, sick, starved, orphaned, institutionalized, handicapped or abandoned.

I am pleased to present on behalf of the Children's Committee of the ACVAFS the view of its members with regard to the General Accounting Office draft report as requested in your invitation.

We at the ACVAFS wholeheartedly support the concerns of your Subcommittee for Children and Youth and the donating public. We were happy to receive the GAO draft on the relationship between the Advisory Committee on Voluntary Foreign Aid—AID—and selected voluntary agencies.

The study "to determine whether the Advisory Committee's registration and compliance activities are effectively protecting the children assisted by voluntary agencies and the American public that supports these agencies with their contributions," has obviously been conducted thoroughly and by fiscal experts.

We wish, however, to point out first that the draft report itself has been limited to five selected agencies having only children's—or children-related—programs overseas. With the exception perhaps of Save the Children Federation, it would certainly seem that the scope and programs of the other four agencies are too limited to be fairly representative of the Advisory Committee registrants generally.

For example, none of the five audited agencies is a consignee for U.S. Government donated foods, one of the major benefits provided through registration with the Advisory Committee.

Second, many members of the ACVAFS, in addition to their registration with the Advisory Committee on Voluntary Aid, have also entered on numerous occasions into contractual relationships with various Government agencies (Agency for International Development, Office of Refugees and Migration of the State Department, Health, Education and Welfare Department).

In doing so, they have always cooperated with auditors as required under the Federal regulations. They have demonstrated time and again their competence in using public funds effectively and efficiently in their programs overseas.

However, any review or evaluation of a social welfare program without the services of a social welfare staff as well, must be of limited significance only since the effectiveness of such a program be reflected in a favorable ratio of income and expenditures alone.

The Children's Committee cannot help but take note of, and remain in a quandary as to the fact that registration by the Advisory Committee is required for use of Public Law 480 title II commodities among other benefits—excess property and ocean freight reimbursement—by voluntary agencies, but not in the application for AID contracts and grants.

We welcome these recommendations by the GAO to the end that the functions of the Advisory Committee be strengthened so as to enable it, as provided in its charter, "To be the focal point for relations between the U.S. Government and private voluntary organizations active in the field of relief, rehabilitation and development overseas."

At the same time, it is our conviction that proposed monitoring activities by the Advisory Committee should not cause any diminution in the voluntary aspect of the agencies nor constitute a form of review which would hamper the work of the agencies operating overseas.

Voluntary agencies have made great contributions to the well-being of the poorest peoples in the world. With U.S. Government assistance and subsidies, the agencies can make large contributions to a still greater number of people. In all such public-private partnership, however, the independent and individual character of each voluntary agency must be carefully preserved. Mutual trust, confidence and respect for each partner are necessary for a smooth-working relationship.

In view of the interest continually expressed by the public for the welfare of children overseas, as well as the concern of Congress, the Children's Committee of the ACVAFS would like to make the following recommendations.

1. The GAO report relative to voluntary agencies' child welfare programs under discussion must be viewed and evaluated simply as a fiscal response. Such a report is limited regarding professional goals, projects or programs of the voluntary agencies in relation to the services rendered for the children and the accountability to the donating public for the funds.

An evaluation of professional performance—child welfare agency operations—cannot be made by using only fiscal measurement analysis and auditing techniques. Such procedures, which we suggest were employed in the audits under discussion, are limited to incomplete and/or erroneous conclusions. Such conclusions would be misleading to the agencies themselves, their donors, and detrimental to the children who would pay the price of misinformation.

Any further auditing of child welfare agencies by the GAO should be conducted in such a way that child welfare professional personnel is included as an integral part of the auditing team.

2. The Children's Committee of ACVAFS feels that the status of the Advisory Committee needs to be determined and defined within the U.S. Government structure itself before the Advisory Committee can be an effective entity to carry out the original Presidential mandate at its inception, as noted earlier in this statement.

As long as the Advisory Committee's relationship, both to the Department of State, the White House and AID, remains in effect and of itself without authority and jurisdiction, the Advisory Committee remains in limbo to be used, manipulated or ignored as either the private or public sectors choose.

The ACVAFS, in the past, on several occasions, has presented statements to various Senate and House committees and subcommittees, strongly recommending the establishment of a Bureau of International Humanitarian Affairs within the Department of State, at the level of Assistant Secretary of State, so that high priority can be given to overseas assistance of voluntary agencies and other nonprofit organizations.

This proposal was also recommended in 1970 by the President's Task Force on International Development—the so-called Peterson Commission. A revised Advisory Committee on Voluntary Foreign Aid would be logically placed in the Bureau. The greater visibility provided the voluntary agencies at this level of government will in itself do much to assure integrity and effectiveness of operations.

Hopefully, the new administration and the President himself, will see it to their advantage and, more importantly, to the advantage of the deprived children for which the American people have a grave moral responsibility to assist in humanitarian affairs, to create a Presidential Commission of International Humanitarian Affairs with the same status and importance as the Presidential Commission on Civil Rights and the Aging.

In conclusion, the Children's Committee deeply regrets that the American Council of Voluntary Agencies for Foreign Service was neither informed nor consulted by your subcommittee or the General Accounting Office prior to the auditing of the five agencies.

Mr. Chairman, as you may recall, the ACVAFS had requested in writing and by telephone an opportunity to meet with you personally to discuss the GAO audits. As mentioned earlier, many members of the ACVAFS are major U.S. voluntary agencies with long experience in child and social welfare overseas. We feel it is unfortunate that your busy schedule did not allow the opportunity for early discussion of this matter.

Thank you, Mr. Chairman, for this opportunity to present the above comments, and for your concern for the welfare of children overseas so deserving of the generosity and help of the donating public.

Senator MONDALE. Thank you very much.

[The following information was supplied for the record.]

Attachment #1

AMERICAN COUNCIL OF VOLUNTARY AGENCIES FOR FOREIGN SERVICE, Inc.
200 Park Avenue South, New York, N.Y. 10003

MEMBERSHIP LIST

American Council for Judaism Philanthropic Fund, Inc.
American Friends Service Committee, Inc.
American Fund for Overseas Blind
American Fund for Czechoslovak Refugees Inc.
American Jewish Joint Distribution Committee
American Committee to Aid Homeless Armenians
American ORT Federation, Inc.
Assemblies of God Foreign Service Committee
Baptist World Alliance
CARE, Inc.
Catholic Relief Services, U.S. Catholic Conference
Christian Reformed World Relief Committee
Church World Service
CODEL, Inc.
Community Development Foundation, Inc.
Foundation for the Peoples of the South Pacific, Inc.
Hadassah, The Women's Zionist Organization of America, Inc.
Heifer Project International
Interchurch Medical Assistance, Inc.
International Rescue Committee, Inc.
Iran Foundation, Inc.
Lutheran Immigration and Refugee Service
Lutheran World Relief, Inc.
Medical Assistance Programs, Inc.
Mennonite Central Committee, Inc.
Migration and Refugee Services, U.S. Catholic Conference
Mizrachi Women's Organization of America, Inc.
Near East Foundation
PACT, Inc.
Pan American Development Foundation
Polish American Immigration and Relief Committee, Inc.
Project Concern, Inc.
Salvation Army
Save the Children Federation, Inc.
Seventh Day Adventist World Service, Inc.
Tolstoy Foundation, Inc.
United HIAS Service, Inc.
United Israel Appeal, Inc.
United Lithuanian Relief Fund of America, Inc.
United Ukrainian American Relief Committee, Inc.
World Relief Commission, Inc.
World University Service
Young Women's Christian Association of the U.S.A.

1974

Attachment #2

AMERICAN COUNCIL OF VOLUNTARY AGENCIES FOR FOREIGN SERVICE, Inc.
200 Park Avenue South, New York, N.Y. 10003

BYLAWS

ARTICLE II

MEMBERSHIP

Section 1. Membership in the Council shall be limited to private voluntary service agencies (non-governmental and non-profit) which engage actively in programs in foreign countries or for people coming from such countries in connection with welfare services, relief, rehabilitation or reconstruction, or in collecting and providing funds for such purposes. Election to membership shall be by majority vote of the membership at its regular meetings.

Section 2 (a). In order to be eligible for membership in the Council an agency shall

(1) By its history and financial record indicate stability and ability to accomplish its objectives with acceptable efficiency.

(2) Have clearly defined functions and programs.

(3) Have a controlling body and executive personnel who are properly qualified for the tasks in hand.

(4) Have no political or propagandistic objectives as its main purpose.

(5) Have functions or geographical areas of operation that are broad enough to render its program of genuine significance.

(6) Have its accounts regularly audited by a certified public accountant.

(7) Submit statements of its operations to the Council including the financial statements acceptable to the Council.

Section 2 (a) - continued

(8) Show a reasonable ratio of overhead for general administration, publicity, fund raising and promotion.

(9) Raise its funds in ways that meet standards approved by the Council.

Section 2 (b). In interpreting these requirements, the Committee on Membership and Finance may propose to the Council detailed implementing standards which may be made binding by the Council.

Section 2 (c). Admission to and continuing membership in the Council shall be dependent upon meeting the above described standards in the judgment of the Committee on Membership and Finance which must recommend admissions to the Council. Any agency not recommended for admission to the Council may demand a special hearing before the Committee on Membership and Finance, and may appeal directly to the Executive Committee of the Council.

Section 3. Where evidence exists that any member agency substantially fails to maintain the standards for admission, and such agency refuses or fails to remedy this situation within a reasonable period of time, the Committee on Membership and Finance may recommend to the Council, with the concurrence of the Executive Committee, the suspension of this agency's membership privileges. In case of continued failure to remedy the situation within three months after suspension, the Committee on Membership and Finance shall recommend to the Council that the member be expelled. Affirmative action on such recommendation shall require majority vote of the membership voting at any regular meeting of the membership. In such a case the agency affected may appeal for special hearings or reconsideration of its case by the Council. Reinstatement at a later period shall depend upon the same procedure as in the case of new members.

Section 4. Membership in the Council shall not be interpreted as an endorsement by the Council of any agency's detailed operations or program.

Senator MONDALE. Dr. Adams, and I understand this is your second trip.

Dr. ADAMS. That is correct. I am Jack Adams, executive director of the Holt adoption program.

I am wondering if I may with your permission have my written statement introduced.

Senator MONDALE. It will appear in the record at the conclusion of your testimony and you can emphasize such points in your statement in response to what has been heard as you feel appropriate.

Dr. ADAMS. Thank you very much. It is a pleasure and privilege to be here. I want to begin by stating that, as I stated on page 2 and following of the statement, we do agree basically with what the General Accounting Office has stated through Mr. Duff's statement, and we would support a move to strengthen the function of audit and the expansion of the registration system for more effective monitoring of the voluntary agencies' programs.

We would welcome periodic audits ourselves within the Holt adoption program. We found the GAO audit to be useful to us as a form of management review.

We have a couple of qualifications, however, to Mr. Duff's statements. One is that he refers to correlation on page 16 of his statement. We are very concerned that the voluntary nature of the agencies be preserved. They must be both voluntary and private if our cooperation is to be effective.

Senator MONDALE. I feel very strongly about that. The other area that I feel strongly about is that it should not be up to Government to pass judgment on the projects themselves. Voluntary judgment ought to be between the charity and donors as to whether they want to give. It ought not involve a public-governmental judgment as to what the children and donees need. I think if we cross that line, then we are going to start interrupting the voluntary and private nature of charity and destroy it.

Dr. ADAMS. The other qualification we would have, I expressed on the top of page 4 of my statement, which is that a program that encourages voluntarism must also be adaptable to the needs of small agencies. Voluntary agencies almost always start small, and therefore any requirements for accounting, reporting, review, must be flexible enough to encourage the agency with limited resources. Therefore, we would question and see a need for a definition of the phrase "substantive support" that will require audits in accordance with the Comptroller General's standards. This is an unknown to us. We are uneasy about it because we are afraid it would be too complicated for small agencies.

The main flaw we see in the GAO report which in itself is excellent in our judgment is the original choice of agencies to be examined. Exhibit A of Mr. Duff's statement shows the agencies audited to have received less than six one-hundredths of 1 percent of the funds administered through these voluntary agencies registered with ACVFA during the latest voluntary agency fiscal year.

We feel GAO has come up with a remarkably good statement on a very small base of examination of the examinations of the agency——

Senator MONDALE. That is not their fault. It was ours. The world of charitable giving was so broad that we could not possibly look at all of them. This is a small committee, looking at problems of children and youth. It is the only committee in Congress that tries to be a forum for children's needs explicitly. We simply looked at advertisements and looked at the ones that seemed to be coming up the most often, appeals to the public. We said, well let us see what is happening there, and then we asked the GAO to check those sized agencies. That is how we picked them.

Dr. ADAMS. I see. There are some that I wish had been included besides our own.

Senator MONDALE. I will meet with you later.

Dr. ADAMS. To go on now to the Holt adoption program itself, page 5, I took the liberty of adding some to the statement of the Holt adoption program's goals as listed in the GAO report. They were accurate in the limited program statement purposes of the Holt adoption program, but did not include the Holt International Children's Fund which is a related agency and which has broader interests as indicated by the following material:

> To encourage and strengthen in-country adoption services, with intercountry adoption services seen as an interim step for children presently needing adoption services not available in their country; and create a public awareness of the problems of institutionalized service for children in developing countries and to encourage the wider development of alternatives to institutions.

With the committee's permission, I should like to make a brief statement about the origins and particular nature of Holt and its history because I believe we are somewhat different from the average agency. We are not typical in that our primary exchange is in lives rather than in goods and services, somewhat parallel to the Peace Corps or student exchange program. Even more, we are unique in that our primary purpose is to help children in developing countries who do not have functioning parents. We believe this group of children to be the most vulnerable and therefore the one on which we have focused our services.

We believe in many cases children in developing countries, without functioning parents, have no alternative, no good alternative other than intercountry adoptions. We are not a relief organization, but rather a licensed child placing agency working internationally. We do not seek to spread limited resources to as many children as possible on an equitable basis, but rather to try to provide a total answer with quality care and services to individual children and to create the conditions for better total care.

We are engaged in activities that touch the deepest personal and national emotions, and it is only successful because it touches an even deeper basis of common humanity.

The shortage of children in the United States available for adoption, combined with the needs of children in developing countries has created a fast growth rate for us, and if it had not been for that, we probably would not have merited your attention at this time. We have been basically a small agency up until the last year or two.

Senator MONDALE. What is your annual budget?

Dr. ADAMS. Right now it will be around $3 million.

I want to make the point that early in the game we attempted to place Korean children in Korean homes for adoption, with limited success, because the traditional forms of protection for a child, namely the extended family also worked psychologically against the acceptance of the idea of non-related adoptions. It takes time for any traditional society to make this kind of adjustment.

Senator MONDALE. Are your adoptions occurring in the country of the recipient or do you bring many of them——

Dr. ADAMS. Most of them come to this country.

Senator MONDALE. Are you involved in Vietnam at all?

Dr. ADAMS. Yes, we are. In 1961, for instance, Mr. Holt placed 43 children in Korean homes, but he placed 600 children in U.S. homes, to give you some idea of the proportions.

Just a year and a half ago we began in Vietnam, and it was only in about the last 4 years that we began to see that the principles that evolved out of our work in Korea, were applicable to countries in many parts of the world.

We find that in many developing countries all over the world children are destined to be instutionalized for a generation or two unless we develop a new tool to serve these children in the interim modernization process. We believe that we have this new tool.

To summarize, we believe first that the children without functioning parents overseas are the most vulnerable children. Second, that all too often developing countries turn to institutions for these children without thinking of what they are doing. Third, that we do have better tools to serve the children, but unfortunately U.S. organizations have often aided and abetted the establishment of institutions for children that have resulted in serious damage to the children. Fourth, that a more important issue than dollar accountability to the U.S. donor public is accountability for the kinds and quality of services we are rendering to the children overseas.

This leads me to my last summary statement, namely that there is no effective coordinating function or group that I see of for strategy for children's agencies working overseas. We are not yet a member of the ACVA, and I am not in a position to speak to the effectiveness of their Children's Committee. But I do not observe any real opportunity for us to test ideas among ourselves as voluntary agencies. I am afraid the result has been that the children have been damaged by well meaning purposes, but with very poor program plans.

SENATOR MONDALE. There may be some overlapping. The GAO report referred to one agency that found three sources of support, one local, and two charities and probably none knew about the other.

Dr. ADAMS. This can happen. Now with response to the GAO study of Holt, we agree basically with their statements about Holt. They did find deficiencies in fiscal control, with resultant possibility for the misuse of funds. However, it should be pointed out that their audit did not turn up evidence of misuse of funds. We have been a small agency. Management has been based to a great degree on personal trust, and on the premise that maximum funds where possible go to services. In short we believe there has been good utilization of finances, that services have been delivered and at reasonable costs.

Our reading of the GAO report confirms to us that our overhead costs have been the lowest and that delivery of services has been among the highest for the agencies studied. However, it is evident to us that our program has outgrown its management controls. We are taking steps to improve accounting methods and we are consolidating annual audits using established international CPA firms at overseas locations. We are hiring trained business managers in each of our overseas operations and we are strengthening central office fiscal and program control.

The helpfulness and timeliness of the GAO audit, which called attention to deficiencies before they become major problems is one reason that we support the proposal that ACVFA expand its auditing function.

Thank you very much.

[The prepared statement of Dr. Adams follows:]

STATEMENT OF

JOHN E. ADAMS, EXECUTIVE DIRECTOR

OF THE HOLT ADOPTION PROGRAM, INC.

IN RESPONSE TO THE STATEMENT OF

JAMES A. DUFF, ASSOCIATE DIRECTOR

INTERNATIONAL DIVISION OF THE GENERAL ACCOUNTING OFFICE

BEFORE THE SUBCOMMITTEE ON CHILDREN AND YOUTH

OF THE SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE

ON THE

UNITED STATES VOLUNTARY FOREIGN AID PROGRAM, AUGUST 21, 1974

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We are pleased to be able to make a response to the statement of Mr. Duff, in behalf of the GAO, relating to the Advisory Committee Voluntary Foreign Aid, and also relating to the GAO Report on the Holt Adoption Program, Inc.

The Agency for International Development (AID) Advisory Committee on Voluntary Foreign Aid (ACVFA):

The purpose of the ACVFA, as outlined on page 3 and 4 of Mr. Duff's Statement, seems to us to be as valid today as when the Charter was written in 1964. With the increasing emphasis on cooperation with voluntary agencies by the U.S. Government, these goals seem more important than ever.

We believe that Mr. Duff's Statement adequately and fairly establishes that the ACVFA cannot fulfill this purpose with the present level of budget and staffing; and we urge measures to strengthen this function, so that there can be an expansion of the registration system and more effective monitoring of the voluntary agencies' programs, as suggested in Mr. Duff's report.

The Holt Adoption Program would welcome periodic audits of our voluntary registration as a means of assisting us in providing better accountability to the public, not only in fund-raising costs, but also in management, program and control elements. We believe that this would perform a very meaningful service by the Government to the voluntary agencies, who voluntarily register, and to the American public which supports them. We would, therefore, agree with Mr. Duff's recommendation (page 10) that the ACVFA should encourage registration.

We have one reservation. Mr. Duff, on page 16 of his Statement, states that one of the Committee's functions is to correlate U.S. private voluntary agencies' programs with those of the U.S. Government, a function which is not reflected in the Statement of Purpose on pages 3 and 4. We agree that voluntary correlation is needed and beneficial to all concerned, but if "correlation" were ever to move toward control and the voluntary element of this relationship were weakened, the voluntary agencies would lose both their private nature and their voluntary nature, both of which are essential to their existence. The temptation should be resisted to think of the voluntary agencies as extensions of the U.S. Government policy especially in any political sense. The relationship between these parties as free partners in a humanitarian endeavor should be consciously protected. In the long run, we believe it is the best interest of the U.S. Government for all these programs to remain both voluntary and private.

Having made these general statements, we wish to comment upon the specific recommendations in Mr. Duff's Statement on pages 27 and 28:

Both pre-registration and follow-up reviews should be conducted at ACVFA costs, so that this does not become a burden upon agencies, particularly the smaller ones.

We agreed to the uniform financial reporting practices and to annual Certified Public Accountants' reports, but we believe that accounting should be in the general categories and only be specific enough to assure their

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being meaningful. This should assure that smaller voluntary agencies will not be burdened with too-detailed reports to the Government. A program that encourages voluntarism must also be adaptable to the needs of small agencies. We believe that the voluntary agencies should also be involved in setting up the criteria for such reports.

There needs to be a definition of what constitutes "substantive support" that will require audits in accordance with the Comptroller General's standards.

We would welcome meaningful guidelines for reviewing agencies' administrative, general management, and publicity fund-raising costs; but we believe that the voluntary agencies should be involved in establishing these guidelines with the ACVFA.

While Mr. Duff's Statement seems to us to have much merit, the main flaw seems to be the original choice of agencies to be examined. Exhibit A shows the agencies audited to have received less than 6/100 of 1% of the funds administered through these voluntary agencies registered with ACVFA during the latest voluntary agency fiscal year. While recognizing that the Subcommittee's interest is in agencies specializing in children and youth, there are registered voluntary agencies with substantial child welfare programs not included in the audit. It seems to us unfortunate, both that they could not have had the benefit of the audit and that the Government Accounting Office could not have had the benefit of the wider exposure in reaching its recommendations. It has produced an excellent report going beyond the scope of the subject of children's services on an extremely small base.

With the above qualifications, we concur in Mr. Duff's Statement.

Holt Adoption Program Program, Inc.

I now address myself to the GAO report on the Holt Adoption Program, Inc. We do not believe the report adequately states Holt's purpose, and I offer an amended statement of purpose (the parts added to the GAO statement are underlined).

"Specific goals are to (a) improve the physical and emotional care of foreign children potentially adoptable and to place them for adoption, with special services to handicapped children in need of special effort to obtain adoptive placement, (b) improve the physical and emotional care of unadoptable children, with a plan for transition to indigenous care, and (c) provide replacement applicant-family screening and counseling, adoption processing, and post-placement counseling for adoptive families, (d) encourage and strengthen incountry adoption services, with intercountry adoption services seen as an interim step for children presently needing adoption services not available in their country of birth, and (e) create a public awareness of the problems of institutionalized service for children in developing countries and to encourage the wider development of alternatives to institutions.

With the Committee's permission, I should like to make a brief statement about the origins and particular nature of Holt to give reason for these additions to the purpose listed in the GAO report.

First, may I point out that the Holt Adoption Program is not typical of the many fine voluntary agencies who concentrate on providing material and technical assistance in one form or another to other parts of the world. While it does provide technical assistance, its primary exchange is lives. It creates strong personal bonds across international boundaries, and in this sense is akin to student exchange programs, Peace Corps, etc., whose emphasis is on personal involvement rather than material assistance. This emphasis on personal assistance may increase in the future for American voluntary foreign assistance.

The Holt Adoption Program is perhaps unique among even these agencies serving overseas. Its primary purpose is to help children in developing countries who do not have functioning parents. In many instances, intercountry adoption is the best available alternative for the immediate needs of the child, but at the same time, the long term solution is to help the developing country develop needed services for its children within the country. Holt is not primarily a relief organization, but rather a licensed, child-placing agency working internationally. It does not seek to spread limited resources to as many children as possible on an equitable basis; it rather tries to provide a total answer wich quality care and services to individual children and to create the conditions for better total care. It is engaged in an activity that touches the deepest personal and national emotions, and it is only successful because it touches an even deeper basis of common humanity. The shortage of children in the United States available for adoption, combined with the needs of children in developing countries has created a 40% per year growth rate over the past seven years, catapulting it to the position of being one of the largest adoption agencies in the world today. At the same time, it must deal with the complex process of adoption between countries with very different legal frameworks.

The Holt Adoption Program was established in 1956 through a particularly pressing need among children fathered by American soldiers in Korea. This generated a particularly strong response in the minds and hearts of Americans. It soon became evident, though, that the readiness of Americans to help children without homes extended beyond the needs of the mixed-race child. At that time, heavy emphasis was being placed upon orphanages as a means of helping homeless children in the aftermath of the Korean War. From his first-hand knowledge of the situation in Korea, Mr. Holt knew that babies placed into many of the institutions in Korea were almost certain to die and that children placed in them past infancy became emotionally blighted and mentally stunted. He became convinced that though orphanage care may be a necessary, temporary expedient, that institutions were a very poor substitute for a home and that every child has the right to a home of his own.

Mr. Holt made efforts to place these children in Korean homes as early as 1957; and from then until his death, he continued to place some children there; but the practice did not have wide acceptance in Korea at that time because the concept of non-related adoptions was new to Korea and alien to Oriental customs and thinking. Therefore, intercountry adoptions became practically the only means of helping the children achieve homes of their own. In 1961, for instance, Mr. Holt placed 43 children in Korean homes, but he placed 600 children in homes in the U.S. This illustrates the point that the response of Mr. Holt to the plight of the mixed-race child soon led him beyond the American-fathered to homeless children in general, and that for these children, intercountry adoptions was always a secondary, though major, option used because adoptive homes were not available in sufficient quantity in the lands of their birth.

For fourteen years, the Holt Adoption Program simply tried to place as many children in institutions in Korea into homes of their own--where possible, in Korean homes; where not possible, in U.S. homes, and in the two years of that period, in European homes. During this period, the Holt Adoption Program averaged 350 placements per year; while in the same year, children in orphanages increased from 20,000 to as high as 74,000 at the end of this period. Therefore, it was a losing battle for Holt and more especially for the children.

In 1969, Holt began examining the implications of its experience in Korea and came to realize the problem belongs to many developing countries around the world. In many countries children for whom traditional extended family supports have failed have been literally thrown out on the streets and then gathered into orphanages at a time when their countries have not yet developed modern resources, foster home services, unwed parent counselling, or adoptions within those countries. Furthermore, there are even economically developed countries who keep hundreds of thousands of children in orphanages because people do not understand the damage caused by institutionalization. Holt has, therefore, broadened its purpose to serve children in countries other than Korea.

Last year Holt instituted service in Vietnam and hopes to begin service in other countries in the future. From its beginnings in Vietnam, it is putting emphasis on a variety of alternatives to orphanage care and measures to prevent institutionalization of children.

It is our position that the GAO anaylsis of Holt's structure, functioning and fiscal operation fairly states the situation at the time of their audit. This audit was a constructive service to Holt, calling to its attention several management deficiences. The GAO found deficiences in fiscal control, with resultant possibility for the misuse of funds. However, it should be pointed out that their audit did not turn up evidence of misuse of funds. Management has been based to a great degree on personal trust, on the premise that maximum funds, where possible, go to services. In short, we believe that there has been good utilization of finances, that services have been delivered and at reasonable costs.

It is evident to us that the program has outgrown its management controls and we are taking steps to improve accounting methods, and we are instituting consolidated audits by established international CPA auditors. We are

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hiring trained business managers in each of our overseas operations and we are strengthening central office fiscal and program control.

The helpfulness and timeliness of the GAO audit, which called attention to deficiences before they become major problems, is one reason that we support the proposal for auditing that ACVFA expand its auditing function. While we feel that this in no way substitutes for each agency's responsibility to manage its own affairs, we believe that such a periodic audit should both strengthen a program such as ours, and also strengthen its credibility with the contributing public. We strongly believe in the kinds of services we render in behalf of children, and we would want the best utilization of funds and we want to merit public confidence so that these services may be strengthened.

John E. Adams, Executive Director
HOLT ADOPTION PROGRAM, INC.
Eugene, Oregon 97405

Senator MONDALE. Thank you. Dr. DeMarco?

[No response.]

Senator MONDALE. He is not here. David Guyer, executive director, Save the Children Federation and Community Development Foundation.

STATEMENT OF DAVID GUYER, EXECUTIVE DIRECTOR, SAVE THE CHILDREN FEDERATION AND COMMUNITY DEVELOPMENT FOUNDATION

Mr. GUYER. Thank you Mr. Chairman. I will also paraphrase my statement. We took the GAO study seriously, therefore our statement is quite lengthy.

First I would like to say that we found nothing but courtesy on the part of the GAO staff participating in this study. By and large we considered it a positive exercise and I think both sides learned from it.

With respect to the GAO study, we agree with Father Charlebois' suggestion that it would have been helpful to have someone on the team with competence in the profession in which we are all engaged.

Now, to get to the point. Each of the agencies represented here today differ decidedly in their respective aims and objectives. I think it is important not to force each of us into a common programmatic mold but to identify and define the various nomenclatures we can all agree to. I believe that is what GAO was trying to say.

We are anxious to strengthen the Advisory Committee. I think it is apparent from the comments you have made today, and those made by our friends, that this important body needs strengthening. The last two or three pages of our statement encourages this objective.

I also want to stress that our organization is perhaps unique in that it ties its programs to a broad community uplift. SCF takes the position that the childern of the poor can best be helped in a lasting way as members of their immediate community—not in isolation from their surroundings. As the community progresses, correspondingly the child, as a member of that group, benefits. Therefore, SCF programs are increasingly aimed at a total community uplift with the lion's share of the funds devoted to activities which affect all children of a given area, not just the fortunate ones who have, by happenstance, caught the eye of the local social worker or a foreign agency representative. More and more our programs are being restructured into that kind or project.

I have only one or two general comments on the GAO report. I think our transcript speaks for itself. We do have some unused funds and I want to clarify this issue. We work through a committee system in which the committees—in areas where the sponsored children are located—help define their priorities in the general fields of productivity, health, and education. Until such time as those priorities are defined and the community is able to put in the self-help work, those funds can remain unused for a short period of time, but earmarked in reserve. They have always been identified as such in our annual audit. We hold firm to the opinion that it is better to utilize these funds prudently than hastily and those constituents we are helping feel the same way.

I think the only other item I would like to touch on is the final question of the study: "Is there a valid need for the voluntary agencies' services?" We look at it as a kind of challenge, where we hope to act as a catalytic agent. If it is only goods and services that are provided, we are looking at but one side of the picture. Funds are needed, of course, but let us be honest with ourselves; all our combined resources are but raindrops in an ocean of need. However, if the Volags also took it upon themselves to serve as catalytic agents in their area of expertise within the framework of existing Government policy, it would open the door to another avenue of service to our constituencies that complements or transcends the monetary factor.

This is one of the most gratifying aspects of the work we are undertaking.

Again, we appreciate the interest of the GAO, and you yourself, sir, and others interested in this important work.

Thank you.

Senator MONDALE. Thank you.

[The prepared statements of Dr. DeMarco and Mr. Guyer follow:]

STATEMENT OF

DR. ROLAND R. DEMARCO, CHAIRMAN

OF

THE AMERICAN-KOREAN FOUNDATION, INC.

BEFORE THE

SUBCOMMITTEE ON CHILDREN AND YOUTH

OF THE

SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE

ON THE

UNITED STATES VOLUNTARY FOREIGN AID PROGRAM

Mr. Chairman and Members of the Subcommittee:

I am happy to have this opportunity of discussing with you the results of the examination by the General Accounting Office into the relationship between The American-Korean Foundation and the Agency for International Development (AID) Advisory Committee on Voluntary Foreign Aid.

While only a small percentage of our services apply directly to children or youth activities, we feel that there are many benefits to this study, which encompassed an in-depth review of our total range of program services and administrative functions. During the course of this examination, over the past several months, our discussions with the GAO team, both collectively and individually, were productive and caused The American-Korean Foundation to take an additional introspective look at itself.

We found the professional opinions of the GAO team to be both beneficial and constructive. The results, as can be seen by the draft, have caused AKF to revise some administrative procedures which, at the time of the audit, were at variance with the GAO interpretation of what constituted acceptable practices. In fact, in virtually every instance where the GAO draft refers to significant variances, immediate affirmative action was effected to remedy the situation and to comply with the suggestions.

The American-Korean Foundation since 1953 has helped the people of the Republic of Korea reconstruct their war-torn nation. We feel that AKF's record of achievement in the areas of health, agriculture, education, and social welfare programs has been truly impressive.

It has been our practice over the years that when goals are achieved, needs must be reassessed if on-going programs are to remain vital and effective. Our Board has been strongly dedicated to steering the Foundation toward courses of action that would provide maximum service to maximum need. An example of this was the Foundation's recent decision to expand its activities into Vietnam and other areas of Southeast Asia.

In general The American-Korean Foundation feels that the GAO draft gives a fair picture of AKF practices and operations. However, instances developed where there were friendly differences of interpretation; e.g., the practicability of setting up objective standards for goal achievement in situations which lend themselves simply to subjective conclusions.

We read with great interest the statement submitted by Mr. James A. Duff, and after careful consideration we find we are able to endorse the following of his recommendations:

"...prohibiting any voluntary agency from referring to its registered status in any advertisement or other publicity material...."

"Each voluntary agency's management system should be reviewed before registration to determine that satisfactory controls exist to insure that services and resources are administered competently in the public interest."

"All voluntary agencies should be required to follow uniform financial reporting practices and to submit annual certified public accountants reports."

"Meaningful guidelines should be established for reviewing agencies' administrative-general management and publicity-fund-raising costs which consider the individual differences in operating and fund-raising practices."

"Each registered agency should be required to provide needed financial and operational information concerning all affiliated organizations disbursing the registered agency's funds."

Gentlemen, I am at your disposal for questioning.

August 21, 1974
9:30 a.m.

Dirksen Senate Office Building
Washington, D. C.
August 21, 1974

STATEMENT OF
DAVID L. GUYER, EXECUTIVE DIRECTOR
SAVE THE CHILDREN FEDERATION
BEFORE THE
SUBCOMMITTEE ON CHILDREN AND YOUTH
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
ON THE SUBJECT OF
CHILD WELFARE PROGRAMS

Mr. Chairman and Members of the Subcommittee:

The Save the Children Federation and its companion agency, Community Development Foundation, have been glad to cooperate with the General Accounting Office in its comprehensive study of the activities of five voluntary foreign aid agencies as requested by the Subcommittee. While a somewhat exhausting experience stretching over several months and involving substantial blocks of time on our part -- and theirs -- we have profited greatly from this in-depth, total immersion into the world of Government accounting.

I cannot let this opportunity pass without commenting on the unfailing courtesy of the GAO staff assigned to the project and to compliment them on the professionalism shown in the performance of their duties. Each of our overseas field offices commented on this point.

Likewise, we are indebted to the Senate Subcommittee, its Chairman, members and staff for their interest and encouragement in exploring concepts, methods and procedures related to the subject of how best to aid the disadvantaged child -- an issue of deep concern to all of us.

Since we have limited time this morning, let me get straight to the point. SCF takes the position that the children of the poor can best be helped in a lasting way as members of their immediate community -- not in isolation from their surroundings. As the community progresses, correspondingly the child, as a member of that group, benefits. Therefore, SCF programs are increasingly aimed at a total community uplift with the lion's share of the funds devoted to activities which affect all children of a given area, not just the fortunate ones who have, by happenstance, caught the eye of the local social worker or a foreign agency representative.

Our program procedures are relatively simple and straightforward: Once we have agreed to operate in any country overseas, or areas here in the United States, and have worked out arrangements with the Government, Ministry, bureau or other appropriate agency, our presence is established in the form of a country office. Staff is recruited and trained, with accent on utilizing local personnel from top to bottom. Out of the ten developing countries having field offices, only two now have American Directors and all subordinate staff, with the exception of some interns, is locally hired.

Next comes the selection of project sites which, under our new program, we term "impact" areas. These sites have definite geographical boundaries, contain a population of between 2,000 and 5,000 people and are generally located in the most impoverished areas of the country. In every instance, the people are asked to show evidence of their willingness to cooperate with a program built on our self-help methods and techniques.

Then comes a feasibility study and formation of a community committee. The study forms the basis for measurement of future progress, and the committee serves as the vehicle through which our resources flow to the greatest possible number of children and families in the given area. The committee usually numbers in the neighborhood of 15 to 20 individuals, broadly representative of the population of the community or communities -- old and young, male and female, producer and educator, etc. Committees meet regularly to define their needs and priorities and help with implementation of projects and to undertake such tasks as children's correspondence, routine field reports, etc.

The SCF agent in the field, termed a Field Coordinator, is a local national who is a conduit for our resources, as well as those of other agencies, and serves in an "ombudsman" capacity to aid the community in defining and implementing projects which can range from schools and day-care nurseries, to nutrition programs, rural clinics, roads, livestock cooperatives, experimental gardens, etc. The projects meet our criteria if they are in the economic and social sphere and have the overall support of the committee and the people, and, of course, if they provide benefits, directly or indirectly, to children.

Over the last two years SCF has embarked on the above impact approach to development with results that are immensely gratifying. Since the self-help of the people is a prerequisite, our limited resources are doubled, tripled, or even quadrupled in effectiveness when this key ingredient is added. I will comment more in detail on this aspect later in the report. Best of all, there is pride in learning to work together as a community and helping all -- not just a few -- of the children and families to benefit from our presence.

Through these methods, SCF has been able to introduce relevant programs of family planning, environment, and utilization of local materials -- issues of prime concern not only to the local community but to the outside world as well. We also work hand in hand with AID, local government bodies, and with other voluntary agencies in carrying out these programs.

Let me stress, however, that SCF has no desire to remain in the target area indefinitely, but only long enough for these procedures and techniques to take root. It is then our custom to move on to other needy areas where we will again take up the role of the catalytic agent and not become a permanent fixture.

For the benefit of the Members of the Committee, I have felt compelled to briefly outline the thrust of our new programs which have resulted in substantial changes in our staffing patterns, fund raising, reporting procedures and organizational structure -- issues which were lightly touched on by our friends in GAO since their mandate covered a different area. In essence, we have undergone a substantial transition from relief to development with the phasing down of our historic programs aiding only one child out of many in favor of the integrated community approach outlined above.

We are, indeed, gratified that the new format has caught the imagination of both government and non-governmental agencies, who see merit in this method. We are equally pleased that some of these same groups have incorporated elements of our program into their national efforts affecting ever larger segments of the population. The system also makes sense to the American public and an increasing percentage of our constituents is opting for the community approach.

With this introduction, let me turn to the specific points raised in the GAO report:

First, with respect to the logical question posed by the Subcommittee, "How Do The Voluntary Agencies Use Their Resources?", the accounting agency findings seem to indicate that, given the intricacies involved in the process of collection and distribution of the wherewithal to various constituencies in remote parts of the world, the job is handled in a creditable manner. Nevertheless, the point is forcefully made that the accounting nomenclature varies substantially from one agency to the next and implies, rightly in our mind, that some more uniform standards are called for.

SCF does not believe all agencies should be required to fit into a common programmatic mold as our respective operations and techniques vary, and this is part of the strength of the Volag movement. Because our agency concentrates heavily on the self-help concept in carrying out programs assisting children, families and communities does not necessarily mean that other agencies should follow the same pattern. Our operations have been built up over the years to meet the needs of our specific programs as we see them, and I am sure the other Volag agencies here today have done the same. Nevertheless, uniform definitions covering such major income and expense categories as program, administration, fund raising, or logical breakdowns thereof, would be most helpful and any steps taken in this direction would have our support. As can be noted in the GAO findings, there are glaring nomenclature inconsistencies -- not intentional, I am sure -- among the five agencies under scrutiny and, with the expertise at our disposal, this should be corrected.

Now let us proceed from the general to the specific. As previously stated, SCF classifies its expenditures into program services, fund raising, and administration. In the determination of such classification, we have in the past been guided largely by the standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations as drawn up by the National Health Council and the National Social Welfare Assembly.

It is our objective to report our expenditures as well as income in terms the contributing public can understand. With this in mind, we must -- and we do -- constantly review and endeavor to improve our financial reporting to our contributors. SCF's financial records in our headquarters in Connecticut are audited annually by an international public accounting firm.

Our contributors, upon request, are sent a copy of the complete report. The financial records of each of our overseas field offices undergo a regular audit; the larger, more active branches on an annual basis and the smaller units once every two years.

Again, in reply to specific items raised by GAO on our financial reports, field office expenses and capital expenditures have not in the past been identified; however, we have reviewed the situation in light of the findings and will, in the future, include the appropriate breakdown. I must add, however, that administration and fund-raising costs are now clearly identified in the reports.

SCF budgets an amount annually for capital assets to replace equipment that becomes obsolete or beyond repair. It is not our policy to purchase land or buildings to carry out our program services except for the headquarters location in Connecticut and a domestic operation in Appalachia which is outside the purview of this review. I might also add that salaries as well as other expenses are charged to program services, fund raising, or administration, as appropriate.

As is pointed out in the GAO report, in 1973 the fiscal year expenditures at SCF totaled $6,694,025, which rendered increased services to our constituency, whether the program format be educational, child-family-community, or impact.

Since the inception of the Community Development Foundation in 1959, SCF has regularly provided grants to help it carry out its self-help program of innovative community development both at home and abroad. CDF also raises some funds on its own. In addition to the grants, SCF has provided its sister agency, on occasion, with working funds for special programs with the understanding that the amounts so advanced might eventually be returned to SCF. The status of such advances is reviewed annually. As is pointed out in the GAO report, SCF's Board agreed to provide a grant of $150,000 to CDF to help meet its working capital needs. This transpired in September, 1970.

Lastly, concerning the $1.8 million fund balance mentioned in the report, the bulk of this amount is made up from the natural growth of our program and payments made in one year which are designated to carry over into the next fiscal year. In addition, it must be recognized that having entrusted money is a responsibility and it is often better to spend it prudently rather than quickly. This, in essence, is the difference between relief and comprehensive, long-lasting community development. The problem has been especially severe in Vietnam where payments were interrupted because of war and movement of refugees. Almost two-thirds of our program in that country was wiped out during the offensive of 1972 and we were forced to move operations to the Saigon perimeter from insecure areas in the North. Corrective steps are now under way. Extensive delays or changes in sponsorship funding or programming are rare and sponsors can now be kept informed of these developments through our new quarterly reports.

The second key question raised by this study is whether "The Voluntary Agencies Use Their Resources Effectively And In The Public Interest." SCF has long utilized recognized internal reporting systems which are so essential to assure effectiveness in program services. Project plans and progress are reported on a quarterly basis by field staff and the data are processed by a computer at national headquarters.

From this system we know, for example, that since the inception of the program in Colombia we have undertaken 262 projects of which 98 have been completed. The value of all project work as of the end of 1973 totaled $682,647, of which $165,722 or 24.28 percent has been allocated by SCF with the rest coming from the community (48.99 percent) or other sources (26.74 percent). The membership of those on community committees and others who planned these projects totaled 4,952, while the number of beneficiaries came to 784,646 -- see annex I attached.

At the close of 1973, for Greece, Colombia, Korea and Mexico, the four countries visited by GAO auditors where we have programs, SCF payments for projects totaled $1,297,000 and this was matched by $3,374,000 in community labor and materials. The total value of the projects including our input and support from other sources amounted to $5,191,000, or nearly five times our cash investment.

Since we are concerned with helping children toward a better way of life, this multiplier effect of five to one is, we feel, tangible evidence of the effectiveness of a healthy partnership between SCF and the recipients. Taking another example, $6,000 allocated by SCF in the Dominican Republic was instrumental in building a $30,000 community center with adjoining clinic because the people provided the labor and local materials. And, most importantly, every child in the impact area benefited, not just the child fortunate enough to be sponsored.

Our operating policy of community decision-making and of self-help means that only those projects of economic or social nature that the people really want will be implemented. The best project an outsider might develop and provide is useless unless the community is behind it. This relationship between community needs and our prompt and effective response is, we feel, an essential index of program effectiveness.

SCF's basic goal is to help people help themselves, to provide the financial and professional resources which will stimulate a community to reach self-sufficiency.

I am sure the Subcommittee is aware that self-help, community decision-making, involvement of people, better health, education, productivity and welfare are all exceedingly difficult goals to measure. Yet SCF has, over the years, introduced systems to do just this and these are being constantly refined and improved.

First, our computerized project reporting system does give us data on project progress, relative investments (by community, by SCF, and by other sources) both planned and actual, as well as number of planners and beneficiaries -- all objective statistical measurements of results against goals -- see annex II attached.

Second, our quarterly narrative reports to sponsors and contributors are in large part evaluation devices. They convey to our funding sources a glimpse into life in the communities and the work accomplished there, and are often used by our donors to evaluate the need for and effectiveness of their support through SCF -- see annex III attached. Similar quarterly reports of an administrative nature are sent to headquarters for appropriate recording and action.

Third, the GAO made reference to the newly initiated SCF evaluation system. More than a year ago we launched this approach. Initial efforts were, as indicated by GAO, subjective but we have now incorporated a tripartite evaluation with all activities analyzed, under agreed criteria, from the viewpoint of the community committee, the field staff, and headquarters. On the basis of this comprehensive review, programs are expanded, stabilized, or contracted. I have not annexed this 52-page evaluation document which is available to Members of the Subcommittee upon request.

Fourth, we have introduced a more comprehensive project-planning technique for all community committees. We will now receive from each community a complete plan for the coming year specifying their project objectives. These plans will, in turn, become the specific short-term goals against which we will measure community progress each year.

Fifth, we are now in the midst of expanding our annual evaluation system and are giving priority attention to the difficult questions of long-term goal-setting, objectivity, and measurement of progress. With our past evaluation efforts behind us, we now have baseline data which will enable us to qualitatively and quantitatively compare results with objectives.

Let me now turn to the question, "Do The Voluntary Agencies Deal With The Public In A Forthright Manner?"

First, we believe that a policy of openness toward donors and the general public is absolutely essential. SCF receives myriad questions from all parts of the country, ranging from the substantial to the frivolous -- and we answer each and every one of them. Likewise, our audit rendered by Price, Waterhouse & Company is made available to all and, indeed, we advise donors and potential donors that we willingly distribute it upon request.

Secondly, our contact with the public is aimed at accomplishing two essential tasks -- informing contributors as to how their financial support is utilized and, at the same time, helping to inform them about the root causes and conditions of poverty as well as some of the solutions. Increased public understanding of poverty, real understanding, that is, is an indispensable ingredient in the total effort to foster economic and social progress across a broad front.

Our reporting to the public begins with fund-raising advertisements, brochures, letters, etc. The information contained therein is based on fact and reflects the grim reality of poverty -- see annex IV.

Two years ago we introduced a new reporting system for sponsors and contributors. This approach, of which we are especially proud, provides narrative and pictorial reports four times a year to those helping a particular community or program with information on the actual and specific activities made possible by their support. The several hundred sponsors of children in Sumapaz, Colombia, for example, receive quarterly reports describing projects and activities undertaken with their funds in that community, the results accomplished and the benefits to the children and others living there. These reports are supplemented by the traditional personal correspondence between child and sponsor, as well as a general annual report and other materials. Taken together this composite documentation provides, we feel, essential information of how a donor's funds are used. This reporting system provides us with a highly useful means of keeping sponsors informed of special problems or unusual circumstances in any single community.

In our new programs, we have found an effective combination of personal involvement for the sponsor through individual correspondence with a child and effective use of his contributed funds through community projects. The child, though seldom receiving actual cash payments, receives direct benefits of better health, education and other services in his community as well as indirect benefits from a higher family income as a result of productivity projects. All aspects of our contact with the public -- from ad to report -- develop this concept. In our new advertising campaign, for example, the following quote appears:

> "And a portion of your $15, combined with money from other sponsors, can help her whole community. With everything from a hot lunch program to a health center. In simple terms, to help them help themselves."

It is a perennially vexing question as to whether to use real or fictitious names for children featured in the ads. There are two sides to this controversial issue and perhaps the discussion will never end. We lean to the line that the child's identity must be protected because of experiences of exploitation in the past, but this policy is under constant review.

Let me add one point of clarification as to the GAO findings. Fund raising at SCF is carried out by regular staff with full responsibility for policy and planning. Outside consultants are used for special projects when it is cost effective to do so.

The fourth and final question asks, "Is There A Valid Need For The Voluntary Agencies' Services?"

SCF would answer in the affirmative but with some important qualifications. If it is only goods and services that are required, we are looking at but one side of the picture. Funds are needed, of course, but let us be honest with ourselves; all our combined resources are but raindrops in an ocean of need. However, if the Volags also took it upon themselves to serve as catalytic agents in their area of expertise within the framework of existing Government policy, it would open the door to another avenue of service to our constituencies that complements or transcends the monetary factor.

Governments, particularly those in the developing world, are burdened with political and budgetary realities that often preclude innovation, testing and evaluating issues of great concern to their people. Here is where the Volags can play a key role and this is where SCF is devoting increased attention.

Let me illustrate. Recently, we carried on dialogue with the Government of a certain African country which expressed concern that our former program was assisting only selected children out of the many that were in need in the specific area. This led to a new format aimed at building these particular secondary educational institutions into largely self-sustaining units.

Under the new plan, SCF funds are pooled, with the proceeds enabling the students to grow their own vegetables and fruit, raise livestock, run a consumer co-op and undertake various crafts enterprises. Government authorities are taking an active interest in this experiment and, if promising, will encourage other schools across the country to embark upon a similar course. Again, we serve as the catalytic agent and, if successful, the multiplier effect comes into play. We have also undertaken training operations with a similar end result.

Turning to another issue raised, it is true SCF is gradually withdrawing from the more affluent countries overseas, concentrating its new efforts in areas of greatest need. Thus, the phase-out in Europe is especially noticeable with the exception of the southern Mediterranean. Concurrently, programs are being expanded in Asia, Africa, the Middle East and Latin America.

Lastly, on the questions relating to the selection of recipients, SCF is now giving considerable attention to choosing needy target areas where the population is desirous of the community development, self-help programs we offer. These sites include villages in the Andes, lakeside communities in Africa, and Montagnard resettlements in the highlands of Vietnam. Each site is selected with the utmost care after agreement has been reached with the Government. Later an integrated program is drawn up based on locally felt needs as articulated by the community itself.

We have tied our star to this system, or variations of the format, and are encouraged by the initial results which have brought about better health, education and productivity for every individual -- child and adult -- in these areas.

Now let me turn to the questions raised by the GAO as relate to the Advisory Committee on Voluntary Foreign Aid and comment briefly on what our agency sees to be the need. We will offer a number of concrete suggestions.

Before doing so, and in recognition of the fact that SCF has long been registered with the Advisory Committee and supports its activities, I feel compelled to make the following remarks and hope they will be taken in the spirit in which they are intended.

As this body is aware, a substantial number of our staff were called away from their regular duties to collaborate with our GAO friends. I feel certain this was the case with the four other Volags present today, but what about the several other private U.S. agencies also engaged in child welfare activities overseas who escaped this scrutiny? I know from the inquiries we receive that some of these organizations are of questionable credit to the Volag world or to the American Government or people. One such agency brought to our attention consistently refuses to produce an annual report and, for that matter, refuses to give the public any information on its overseas programs.

Should we not ask ourselves, are these organizations to be left untouched and the agencies represented here today be the only ones to be affected by the hot breath of accountability? Perhaps the Senate Subcommittee or Advisory Committee should give some thought on how to get these other organizations to either join the club or forfeit use of the facilities!

One can readily gather from the comments above that SCF is in favor of strengthening the "watchdog" capabilities of the Advisory Committee on Voluntary Foreign Aid. No Volag agency should be allowed to fool the public or engage in financial or program practices that are illegal or unethical. On the other hand, the Advisory Committee should encourage Volags to take on new and innovative roles in their fields of interest but, above all, the Committee should refrain from enveloping them into a programmatic mold.

Specifically, to be more effective in its mandated responsibilities, we believe the Advisory Committee should:

1. be selective and rigorous in its registration procedures and

periodic reviews so that registration will be meaningful to the public, the Government and to the agencies themselves.

2. make the list of registered agencies widely available and include standard data about each so that any interested individual or group can be fully informed.

3. require registration before an agency can receive Government assistance of any kind from AID or other federal agencies for overseas activities.

4. establish standardized data requirements and controls for registered agencies; also develop effective guidelines for accounting and reporting in such areas as fund raising, administration and program services.

5. develop basic guidelines for program measurement, analysis and evaluation.

SCF would like the Advisory Committee to be in a position to assure the public and Government that registration, in fact, means an agency is trustworthy. Rather than prohibit reference to registration in agency advertisements, and thereby deny the public its one impartial source of information about the agencies, we urge that the Committee move in the other direction of more effective and rigorous registration and reporting with full information available to the public and Government. We believe the added cost involved, hopefully held to modest levels, would be well spent and would, in fact, result in more effective accomplishments in the field of voluntary aid.

Again, our appreciation to the members of the Senate Subcommittee and to the GAO for delving into these issues and affording us the opportunity to present our views. Your interest and concern mean much to us.

ANNEXES

TO

SAVE THE CHILDREN FEDERATION

STATEMENT

ANNEX I

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TABLE 1.1 093 - COLOMBIA
PROJECT SUMMARY
PERIOD. AS OF DECEMBER 31, 1973

---------- PROJECT TYPE ----------		
TYPE	NUMBER OF PROJECTS REGISTERED	COMPLETED
CONSTRUCTION	202	76
SERVICE	43	22
PRODUCTION	17	0

------- PROJECT NATURE --------		
	NUMBER OF REGISTERED	PROJECTS COMPLETED
NEW	222	83
IMPROVED	[illegible]	[illegible]
MAINTAINED	14	9

- TYPE OF ACTIVITY CLASSIFICATION —		
CLASSIFICATION	NUMBER OF PROJECTS REGISTERED	COMPLETED
NOT REPORTED	0	0
1 PUBLIC WORKS	15	6
2 AGRICULTURE	6	1
3 EDUCATION	146	54
4 HEALTH	38	15
5 WELFARE	40	22
6 BUSINESS AND COMMERCE	16	0
7 HOUSING	0	0
8 MISCELLANEOUS	1	0
9 UNCLASSIFIED	0	0
TOTAL	262	98

------ PROJECT STATUS ------	
STATUS	NUMBER OF PROJECTS
NOT REPORTED	17
1 WORK CONTINUING	142
2 WORK SUSPENDED	2
3 PROJECT CANCELLED	3
4 PROJECT COMPLETED	98
5 NO INFORMATION AVAILABLE	0
6 REG., NOT INITIATED	0
7 REG., NOT APPROVED	0
8 REJECTED	0

	PLEDGED	ACTUAL
NUMBER OF WORKERS	14,391	9,667
NUMBER OF MANDAYS	212,719	112,301
NUMBER OF PLANNERS		4,952

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TABLE 2.2 093 - COLOMBIA ANNEX I
ACTUAL RELATIVE INVESTMENT BY TYPE OF ACTIVITY
PERIOD. AS OF DECEMBER 31,1973

RELATIVE INVESTMENT BY

TYPE OF ACTIVITY CODE	DESCRIPTION	COMMUNITY VALUE OF VOLUNTEER LABOR	COMMUNITY OTHER	COMMUNITY TOTAL	C.D.F. PROGRAM	OTHER SOURCES	TOTAL
1	PUBLIC WORKS	7,735	18,763	26,498	17,115	56,580	100,193
1111	FARM TO MARKET ROADS	4,846	16,597	21,443	12,105	53,972	87,520
	OTHER	2,889	2,166	5,055	5,010	2,608	12,673
2	AGRICULTURE	398	4,558	4,956	4,746		9,702
3	EDUCATION	108,894	64,234	173,128	64,164	64,329	321,621
3111	CLASSROOMS	61,613	44,076	105,689	42,629	22,853	171,171
	OTHER	47,281	20,158	67,439	41,535	41,476	150,450
4	HEALTH	31,322	26,478	57,800	22,375	52,136	132,311
4111	WATER SUPPLY	19,423	11,712	31,135	11,880	48,228	91,243
4112	LATRINES	369		369	400		769
	OTHER	11,530	14,766	26,296	10,095	3,908	40,299
5	WELFARE	28,632	30,010	58,642	26,320	9,307	94,269
6	INDUSTRY AND COMMERCE	9,170	4,218	13,388	10,879	161	24,428
8	MISCELLANEOUS				123		123
	COUNTRY TOTALS -	186,151	148,261	334,412	165,722	182,513	682,647
	PERCENTAGES -	27.27%	21.72%	48.99%	24.28%	26.74%	100.00%

TABLE 6.51 093 - COLOMBIA
VILLAGE PARTICIPATION AND PEOPLE BENEFITTED - BY ZONE
PERIOD. AS OF DECEMBER 31,1973

ZONE	NUMBER OF COMMUNITIES	POPULATION	NUMBER OF PROJECTS	# WORKERS PLEDGED	BENEFITS
01	80	1,537,716	262	14,391	784,646
TOTALS	80	1,537,716	262	14,391	784,646

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ANNEX II

COMMUNITY DEVELOPMENT PROJECT REGISTRATION & PROGRESS REPORT

1 COUNTRY	2 ZONE	3 STATE	4 COUNTY OR MUNICIPALITY	5 COMMUNITY	6 PROJ NO	7 REV	8 LOCAL NO	9 PROJECT DESCRIPTION

DATES																15 FIELD WORKER NO	16 TYPE	17 INTERNATIONAL CLASS NO	18 NATURE
10 PRES REP			11 PREV REP			12 REGISTRATION			13 START				14 COMP				COM ☐ SERV ☐ PROD ☐		NEW ☐ IMP ☐ MAIN ☐
DAY	MO	YR	DAY	MO	YR	DAY	MO	YR	DAY	MO	YR	E/A	DAY	MO	YR	E/A			

19 EST ECONOMIC BENEFITS	FIRST YEAR	E/A	FIRST FIVE YEARS	E/A	FIELD WORKER NAME	I D P C CODE

20 RELATIVE INVESTMENTS	21 %	22 TYPE CURRENCY	MEASUREMENT OF PROJECT					PERCENTAGE OF COMPLETION OF THE PROJECT	
			24 CODE	UNIT OF MEASURE	25 TOT NO UNITS PLANNED	26 NO COMP PREV REPORT	27 TOT COMP TO DATE	28 PREV REPORT	29 CURR REPORT
COMM									
CDP		b U.S. $ EQUIV							
OTHER									
		23 EST VAL OF PROJECT	30 POPULATION		31 PLANNERS	32 BENEFICIARIES	33 MISCELLANEOUS		
TOTAL									

COMMUNITY INVESTMENTS—MATERIAL AND ECONOMIC

DESCRIPTION			TOTAL PLANNED		ACCUM THROUGH PREVIOUS REPORT			CURRENT REPORT		
34 CODE	35 ITEM	36 UNIT OF MEASURE	37 NO UNITS	38 VALUE	39 NO UNITS	40 %	41 VALUE	42 NO UNITS	43 %	44 VALUE

COMMUNITY VOLUNTEER LABOR

COMMUNITY PLEDGE			ACCUM THROUGH PREVIOUS REPORT				52 NO OF NEW WORKERS	53 MAN DAYS WORKED CURRENT PERIOD						
45 NO OF WORKERS	46 MAN DAYS	47 TOTAL VALUE	48 NO OF WORKERS	49 MAN DAYS	50 TOTAL VALUE	51 % OF PLAN		MO	NO	MO	NO	MO	NO	TOT

ALLOCATIONS FROM COMMUNITY DEVELOPMENT PROGRAM

DESCRIPTION		56 UNIT OF MEASURE	57 UNIT VALUE	58 REQUEST QUANTITY	APPROVAL		ACCUM AMT RECD		CURRENT REPORT	
54 CODE	55 ITEM				59 QTY	60 VALUE	61 QTY	62 VALUE	63 QTY	64 VALUE
			.							
			.							
			.							
			.							
			.							
			.							

ALLOCATIONS FROM OTHER SOURCES

SOURCE		67 UNIT OF MEASURE	68 UNIT VALUE	DESCRIPTION		ORIGINAL PLAN		ACCUM AMT RECD		CURRENT REPORT	
65 CODE	66 NAME			69 CODE	70 ITEM	71 QTY	72 VALUE	73 QTY	74 VALUE	75 QTY	76 VALUE
			.								
			.								
			.								
			.								

PROJECT STATUS AND EVALUATION

I D P C PROCESSED

77 PROJECT CONDITION

1-EXCELLENT
2-GOOD
3-POOR

☐ PREV ☐ CURR REPORT

78 COMMUNITY SENTIMENT

1-HIGHLY PLEASED 2 SATISFIED 3 DISSATISFIED

☐ PREV REPORT ☐ CURR REPORT

79 PROJECT STATUS

☐ PREV ☐ CURR

1-WORK CONTINUING
2-WORK SUSPENDED
3-PROJECT CANCELLED
4-PROJECT COMPLETED
5-NO INFORMATION AVAILABLE
6-REG NOT INITIATED
7-REG NOT APPROVED
8-REJECTED

83

84

85

80 DEFICIENCIES	81 SOURCE			82 PREV REPORT		
	COM	CDP	OTHER	COM	CDP	OTHER
1 INSUFFICIENT TOOLS OR EQUIP						
2 INSUFFICIENT MATERIALS						
3-NAT'L CAUSES/PLANTING SEASON ETC						
4-LACK OF VOLUNTEER LABOR						
5-LACK OF TECHNICAL AID						
6-LACK OF FOOD						
7 LACK OF FUNDS						
8 OTHER						

COMMUNITY DEVELOPMENT FOUNDATION FORM 1 6/66 REV 10/67

Save
The Children
Federation

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ANNEX III

COMMUNITY REPORT
BANGLADESH - SPRING - 1974

In the spring of 1974 the United Nations convened in an historic session - a more equitable distribution of the earth's resources.

Article One: Out of every three children born in most nations of the world today, one dies before the age of five.

Article Two: For those who survive, "it is a life of deprivation, desperation and degradation. It is an intense but, mercifully, a short struggle, as their life expectancy is no more than thirty years."

Around this planet EARTH is a hunger belt that extends thirty degrees on either side of the equator. Millions have died of famine, while very few of us noticed. The world's supply of food has shrunk to a scant 27 days.

But many have been saved, because of you who are aware. The SAVE program in Bangladesh began in the autumn of 1972.

Because you extended your concern, the children have been fed in a school lunch program.

You have provided clothes.

You have repaired schools damaged in the war and built new classrooms.

In cooperation with the Franklin Book Program, you have furnished a library.

You have built two community centers. You have provided adult education - perhaps the most striking example being the Women's Cooperative Training Program, which is working presently in the field of Family Planning.

You have established a medical dispensary that provides daily treatment for the care and prevention of disease.

Bangladesh/74-5
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You have dug fish ponds and stocked them - a means of adding vital protein to the diet. You have planted vegetable gardens and given lessons in nutrition.

You have dug irrigation canals and drains and built dams.

You have sunk tubewells, which give the people sanitary drinking water.

You have rebuilt and motorized a boat, which utilizes the river for the flow of traffic.

In a short eighteen months, you have brought many changes for the better to Bangladesh.

And now it is Spring. Cool weather, rising prices and hard work prevailed over Bangladesh the first months of 1974. (According to the Bengali calendar, actually the last months of 1380.) The cool weather was appreciated, the rise in prices was dreaded and the hard work was inevitable.

Since this quarter is usally free from monsoonal rains (June/July/August), cyclonic storms (October/November/December) and tortuous heat (April/May), it becomes the best work period of the year. Where pumps or other systems of providing water are available, rice is planted throughout the country. This crop appeared to be a bumper one, until heavy early rains in March damaged many of the young plants. Nevertheless, there is hope that the harvest of this crop will be sufficient to bring the price of rice (the main dietary staple of all Bangladesh's 75 million) down to a more affordable level.

March 26 was Bangladesh Independence Day. On this day in 1971 Sheikh Mujibur Rahman proclaimed the new Bangladesh (translation: Land of the Bengalis) as independent from Pakistani rule. Of course it was an exciting and joyous day, but each Bengali remembers with deep emotion the troubled times that followed the Sheikh's proclamation that day in 1971.

Due to the runaway inflation and the absence of food reserves, this is a particularly difficult time for Bangladesh in general and its villagers in particular. The need for self-dependence becomes more apparent each day.

Rabiul Hoque has been named as Assistant to the Director. He tells you of the many activities in the various program areas in the report which follows.

David J. Hopkins
David Hopkins
Director

Bangladesh/74-5
I

THE KUNDA PROJECT

Kunda is a six-hour drive from Dacca and can be reached only after crossing two rivers by small boats and walking two miles. The village itself looks like a small island in the rainy season, as all of the surrounding lowlands are under water. Forty-one hundred people, whose per capita annual income is even less than the national average of $80, live in this remote village. Although 70% of the people are Muslims and 30% Hindus, they have lived in peace and harmony for many years. Ninety percent of the people are illiterate and are isolated from the rest of the world with their many needs and problems, with no way to solve them.

But the people of Kunda have one thing in common - the desire and the will to improve their lot and to make their village self-sustaining, an ideal village. The SAVE Program Director, Mr. Melvin E. Frarey, was particularly delighted with the high spirit and initiative of the people of Kunda. Peter Munshi, a young man who has worked with the SAVE tubewell repair team, is now serving as Field Coordinator for this community. He has completely won the people of Kunda because of his friendly and amiable manners, his dedication and his willingness to work long, hard hours.

The people have already completed their first two projects.

The village access road, which was no better than a path, has been widened and improved.

To irrigate about 200 acres of land, the villagers have re-excavated a one-mile long irrigation drain.

They know that this is but the beginning. They are eagerly looking forward to doing much more to wipe away the frustration of the past.

THE PORSHURAM PROJECT

Like other areas of Bangladesh, the people of Guthuma faced the problems of shortage of materials and unfavorable weather conditions. Partial loss of their prospective bumper crop was due to continuous early rains. And 20,000 bricks (just ready for firing) were also destroyed by the rains. Fortunately, Guthuma escaped the devastating tornado which swept over two neighboring Thanas (counties) in March, leaving behind many damaged houses, uprooted trees and ruined crops.

Abdul Awwal, a young man fresh from the University, has replaced Selim Mahmud as our Field Coordinator in Guthuma. Mr. Awwal, who has his master's degree in social welfare, is from the same district and speaks the same dialect. With his stock of energy, initiative and hard work, he has already become part and parcel of all the activities in the community.

With active guidance from Mr. Awwal, the people of Guthuma have done the earthwork for a new primary school. Final selection of the Community Center site has been made and the land donated. Re-excavation work has started on a community pond, and it will be stocked with fingerlings during the monsoon season. Not only will this provide much of the protein needs of the public, it is expected that after two years the community will realize some income from the sale of fish.

The observance of Independence Day on March 26 was a big event to the whole community. The day was observed with children's sports, cultural activities, music, etc. SAVE participated in the celebration by giving prizes to the best performers.

THE RANGUNIA PROJECT

Rangunia, too, suffers from shortage of materials (especially cement) and the perversity of nature (unusually early and unusually heavy rains). When the Program Director visited Minagajier Tila, he placed the cornerstone of the new primary school. So the people are still in high spirits, and work on the projects continues, though more slowly than they had hoped.

The children went back to school in January, following a short vacation after their final examinations. But as the Government could not provide enough books and supplies for all the students, many classes were held in music, dance or physical exercise.

The people of Minagajier Tila have just completed the improvement of their village access road by widening and paving it with bricks. Land was donated and registered for building a multi-purpose Community Center in Syedbari. Preliminary earthwork for the extension of the Community Center in Kulkurmai was done by the villagers. This addition will be used as grain storage.

The SAVE tubewell team has just completed repairing 112 tubewells and resinking 2 more with materials supplied from UNICEF through Government agencies. It was the SAVE Field Director who persuaded UNICEF and the Government to approve this project, thus stretching your assistance even further. About 2,000 people in Rangunia who were deprived of safe drinking water for a long time are again drinking sweet, pure water from the wells.

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The women who were trained at the Bangladesh Academy for Rural Development last November (with funds provided by SAVE) are working very hard to mobilize the other women in their communities.

They have successfully organized a Women's Sewing Training Center in Syedbari. Five women were selected out of the group for specialized training at the district training center in Chittagong.

They are now thinking about sending four women to Dacca to receive training in home production of jute handicrafts. When these women return, they will each train four groups of women in that craft. The eventual goal of the project is to form a Women's Jute Works Cooperative Society. We are really trying to do something about this situation of such a low per capita income for our people.

The last project, but not the least, is a Women's literacy program. In close cooperation with the local Thana Central Cooperative Society, we are going to start 15 women's literacy centers in the three villages under the Rangunia SAVE program.

In spite of all the limitations and failures, the high spirits of the people prove the old Bengali saying: EKBAR NA PARILE DEKHO SHOTOBAR (translation: if you fail once - try a hundred times.)

R Hoque

Rabiul Hoque

Bangladesh/74-5
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MY GOLDEN LAND OF BENGAL; I LOVE YOU.

OH MOTHER, THINE SKY AND AIR BRING MUSIC TO MY HEART.

MY GOLDEN LAND OF BENGAL; I LOVE YOU.

IN THE MONTH OF FALGOUN (February) THE SMELL OF MANGO GROVES DRIVES ME MAD,
AND I AM OVERWHELMED.

AND IN THE MONTH OF AUGRAHAN (November) I HAVE SEEN THE SMILING RICE FIELDS.

MY GOLDEN LAND OF BENGAL; I LOVE YOU.

- Rabindra Nath Tagore

(Portion of Bangladesh National Anthem translated from Bengali into English)

Bangaldesh/74-5
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Written at Syedbari
May 10, 1974
Typed at National Office

Dear Friend:

Firstly, I thank you for your help for our village. I feel proud in writing you on behalf of my villagers.

My name is Zaheda Begum. I am 12 years old. I am now attending the eighth grade of secondary school in our village. My father works on a boat. My father owns small area of land. Sometimes I help my mother in household chores. We have some chicks and ducks.

Now, I want to tell you something about our village; our village is Syedbari. The villagers are Muslims, Hindus and Buddhists. There are about 350 families in our village. We don't have good paved roads in our village. The people in our village take baths in ponds and drink water from tubewell. The people are poor. In our village we sometimes arrange dramas, sports and religious functions for entertainment.

S.C.F. is doing a important work for our village. We have a village committee. The Committee with the help of the S.C.F. field coordinator is working hard. Our girls primary school which was in a bad position earlier has been improved and new furnitures were made. Many of the school children who would not come to school because they had no clothes were given school uniforms. Now we have a health clinic. The children and all other people get vitamin supplies and help and also medicines. People are taking their bath in the pond re-excavated by the Committee. Baby fish were also put in the pond. Some women were also trained in handicrafts. We hear that lot of other things also will be done. Our village people are thanking to you. We are learning things about your country from your letters.

It is summer now in our country. The farmers are busy in field. It is time for fruits like mango, jackfruit, lichi.

In closing, I hope that all of you are well. Thank you again.

Zaheda Begum

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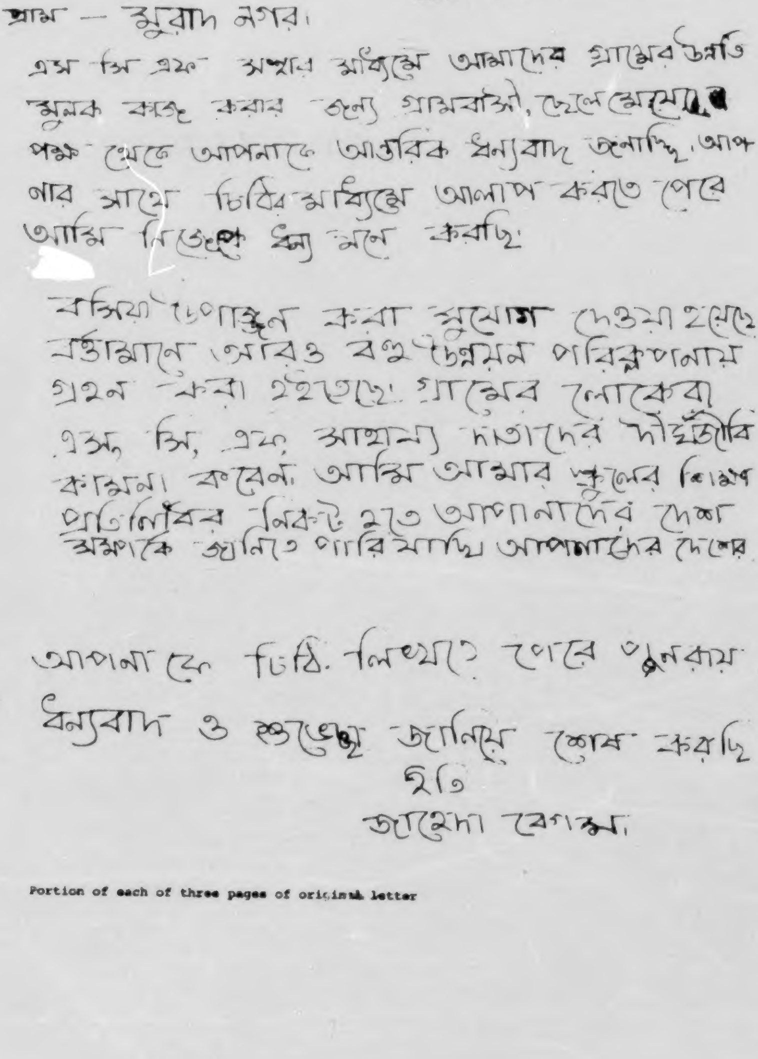

গ্রাম — মুরাদ নগর।

এস সি এফ সংস্থার মাধ্যমে আমাদের গ্রামের উন্নতি মুলক কাজ করার জন্য গ্রামবাসী, ছেলে মেয়েদের পক্ষ থেকে আপনাকে আন্তরিক ধন্যবাদ জানাচ্ছি। আপনার সাথে চিঠির মাধ্যমে আলাপ করতে পেরে আমি নিজেকে ধন্য মনে করছি।

রবিশস্য উৎপাদন করার সুযোগ দেওয়া হয়েছে বর্তমানে আরও বহু উন্নয়ন পরিকল্পনায় গ্রহন করা হইতেছে। গ্রামের লোকেরা এস, সি, এফ, আগামী দাতাদের দীর্ঘজীবি কামনা করেন। আমি আমার স্কুলের শিক্ষক প্রতিনিধির নিকট হতে আপনাদের দেশ সম্পর্কে জানিতে পারিয়াছি আপনাদের দেশের

আপনাকে চিঠি লিখতে পেরে পুনরায় ধন্যবাদ ও শুভেচ্ছা জানিয়ে শেষ করছি

ইতি

জাহেদা বেগম।

Portion of each of three pages of original letter

Save
The Children
Federation

COMMUNITY REPORT
DOMINICAN REPUBLIC - SPRING - 1974

In the spring of 1974 the United Nations convened in an historic session - to try to find a more equitable distribution of the earth's resources.

Article One: Out of every three children born in most nations of the world today, one dies before the age of five.

Article Two: For those who survive, "it is a life of deprivation, desperation and degradation. It is an intense but, mercifully, a short struggle, as their life expectancy is no more than thirty years."

Around this planet EARTH is a hunger belt that extends thirty degrees on either side of the equator. Millions have died of famine, while very few of us noticed. The world's supply of food has shrunk to a scant 27 days. The Dominican Republic lies within this hunger belt.

The children of Hipolito Billini continue their studies at school.

They still play baseball in the field that is the center of their village.

They still go to handicraft classes in the Community Center and vie with each other for the praise of their teacher.

The older girls gather in clusters in the age-old stance of women, their baby brothers and sisters held balanced against one hip.

Occasionally a boy on horseback gallops past on his way from one field to another.

The fence posts have leafed out, for the farmers simply sink pieces of tree trunks for posts, and in time living trees protect the fields.

But behind this peace and beauty stands the spectre of hunger.

Dominican Republic/74-6
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Ninety percent of the farmers of this area depend upon the peanut for their cash income. Peanuts are planted twice yearly - in August/September (the Dominican winter) and in our spring months of March and April. You will remember that the winter crop failed. The men and boys planted high hopes and expectations with the peanuts, but they failed to blossom and increase. This has happened before. All farmers are philosophers with regard to weather, so they simply doubled their hopes and expectations for the next crop. And they watched the skies............

With money contributed through SAVE the Children Federation, they used the pre-planting period more completely than they had ever been able to do in the past. The SAVE Field Coordinator was successful in getting ten yoke of oxen to plow the ground, the men attended classes in better agricultural methods and they were well prepared to add to their labor new skills.

At the writing of this report, the rains had not come.

It is possible that there will be no peanut crop this year, either. There are ominous indications that this may be the beginning of a cycle of drought. How fortunate that the SAVE program is present and vital, for the people are better prepared to face the threatened emergency.

These reports have regularly informed you of nutrition classes........in this report the word "nutrition" seems to carry even more meaning, as the women learn to prepare food in a manner that makes the most of a dwindling supply. The classes are more than a scholastic exercise for the children of these women, for they are privileged to sample their mothers' classroom cooking. (Apparently, the critique is always favorable, for they always manage to eat everything.)

A new culinary skill has now been added - baking. Two courses in the art of baking were offered this spring by a specialist in this subject, Professor Altagracia Paxtiot.

A popular spot (and a busy one!) is the new piggery. The enramada (a shelter roofed with branches) was constructed, feeding and drinking troughs were built, wire fencing was installed and twelve sows and a boar moved into their new quarters. The children are being instructed in the loving care and feeding of piglets (hopefully) and animal husbandry is becoming a part of their new knowledge.

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The demonstration vegetable plots at the various schools proved to be of great value to the entire community. In addition to the school gardens, many homes now have gardens, planted by the children and cared for by the children.

There is no water in Hipolito Billini. All the water is carried in buckets from the nearby river. So the neat rows of cabbages, lettuce, radishes, carrots, tomatos, beets, cucumbers, soya, onions and nasturtiums (to keep away unwanted insects) are a living testimonial to the diligence of the children.

Because of your contributions, the clinic is well stocked with medicines and vaccines. Shots are given routinely to protect the children against whooping cough, polio, tuberculosis and diptheria. In addition, 600 children in the schools of the various communities are receiving vitamin supplements.

Dominican Republic/74-6

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With funds contributed through SAVE and the labor of 106 men, women and children, a new school has been built in Chorro Bonito. Here 48 children receive the "bread of knowledge".

At the time of the last report, there were 56 members of the Mother's Club. There are now 154 women in regular attendance for classes in embroidery, knitting, sewing, family planning and hygiene.

The handicrafts are much more than simple instruction in the use of the needle. For example, their work is so painstaking that one is hard-put to determine which is the right side of the material.

There are no artificial "social" aids in Hipolito Billini. Their social life is of the truest meaning of the word - interpersonal human relationships. The little girls saw their mothers' pleasure in the things they were learning together, and they desired the same experience for themselves. So they banded together, went to the Community Committee, asked for a hearing and presented their wishes and their needs. The Committee was impressed with their presentation and granted their request. There is now a Junior Girls' Club - 31 members strong - who are receiving instruction in handicrafts from Ana Celia de los Santos. It is a very Junior club. The age range is from 5 to 12.

The Sponsored Children's Association has recommended one large party each month which celebrates the birthdays of all the children born in that month. Needless to say, this is a gala event. Lyrical and cultural acts are presented.

Living theater has come to Hipolito Billini.

FELIZ CUMPLEAÑOS!

Miguel Andres Betances Sosa (Chino)
Coordinator

Dominican Republic/74-6
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Written at Hipolito Billini
January 20, 1974
Typed at National Office

LETTER FROM THE DIRECTORS OF THE SPONSORED CHILDREN'S ASSOCIATION

Sirs:
Patrons from the United States,

We address you and give you a cordial and affectionate greeting in union of all the sponsored children. Upon greeting you all, we wish to say the following:

First of all, as you all know, here we are building several things through your help, and we are doing many things thanks to your help. I wish to tell you that the Consumer's Store is almost finished. There is a very pretty Kitchen-lunchroom, and we plan to build a school in Chorro Bonito. A girl is being trained so that we may have a nurse here.

Every week a nurse from Loma de Cabrera visits us, the superintendant and a helper. They give courses to all the Mothers every Friday and they are learning many things, such as knitting, embroidery etc.

Also, all the sponsored children formed a board of directors which is formed by a group of five members who are:

President	Teodora Ines Franco
Vice-President	Luis de los Santos
Secretary	Jose de los Santos
Treasurer	Ana Victoria Bautista
Vocals	Ana Antonia de los Santos

We have made a vegetable garden, and the mangos and avocados are in bloom.

Medicine is given to all the children who are sponsored and are sick. A one week course is being given by the Representative Miguel Andres Betances and there is a group of 50 persons who go every evening. Dinner is given and prepared in the kitchen-lunchroom which we have constructed through your help.

There is also a Club, a Citizen's Committee and we are progressing very much, therefore all of us give you our most sincere thanks.

This letter has been written for all the sponsors by

Teodora Ines Franco
Luis de los Santos
Ana Victoria Bautista
Jose de los Santos
Ana Antonia de los Santos

pr Teodora Ines Franco
vcp Luis de los santos
T Ana Victoria Bautista
sc Jose de los santos
vocal. Ana Antonia de los santos

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CARTA DE LA DIRECTIVA
ASOCIACIÓN NIÑOS PATROCINADOS

Hipolito Billini 20/4/74

señores.

patrocinadores del estados unido.

~~Me~~ dirijo a ustedes para darle un cordial y afectuosa saludo en unión de todos los ~~niños~~ patrocinados, despues de saludarlos a todos es para decirle lo sig:

1ro Como ya ustedes saben aqui se esta impartiendo varias construcciones por medio de sus ayuda y estamos agradecidos mas gracias a ustedes.

pues tengo para decirle que ya la tienda de consumo esta casi terminada hay una cocina comedor muy linda, se ~~piensa~~ piensa hacer una escuela i chorro bonito, se esta preparando una muchacha para tener aqui una enfermera.

Todos los viernes nos visitan de Loma de Cabrera una enfermera, la super y una promotora le da un cursillo de madres todos los viernes y estan aprendiendo muchas cosas, aprendiendo a tejer, bordar etc

Tambien formamos una directiva de los niños patrocinados la cual esta formado por un grupo de cinco miembros que son ellos

pre. Teodora Ines Franco
Vice pr. Jesus de los santos
sc. Jose de los santos. T Ana victoria Bautista

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Save
The Children
Federation

COMMUNITY REPORT
LEBANON - SPRING - 1974

THE UPPER BAALBECK PROJECT

Prior to the arrival of the SAVE program, there were no medical facilities of any kind in Barqa and Qaddam. These villages are so remote that the cost of taking sick people to town to receive the attention of a doctor was prohibitive. As a result, the health care of the children was sadly neglected.

Your contributions to the SAVE program have provided the much-needed funds which have helped to alter this lamentable situation. With the active support and participation of the local people, two health centers were established - one in each village. Though on a modest scale, these centers now make it possible for the children to receive basic health services. Most children (and their parents) are being examined and immunized for the first time.

A scabies epidemic erupted this spring, and this contagious skin-disease quickly spread among the children, especially those in school. The epidemic was discussed in depth by the Community Committee, the school and medical personnel and the SAVE staff, and a curative-preventive plan was designed. The attending physician diagnosed and provided ointment for the afflicted children. Parents and teachers were instructed in how to prevent, detect and treat the disease.

The attending physician, Dr. Gabriel Skaff, has had many years of successful professional practice in medical pediatrics, maternal health and internal medicine.

He is a humanitarian, and comes to this post prepared to serve the people of Upper Baalbeck in spite of all hardships.

He is assisted by women of the area. The community health clinics have been modestly equipped and supplied with a stock of basic medicines. The clinics are already having a major impact on the health problems of the children. Several really serious cases have been discovered and arrangements made for the patients to be treated in the hospitals in Baalbeck and Zahleh.

Lebanon/74-7
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In Qaddam, soon after the heavy snow thawed, parents of our sponsored children resumed their construction work in the community irrigation canal, donating labor, tools and locally available materials. One of the parents, Hanna Shehadeh Ja'ja', although illiterate, is a semi-skilled mason. He generously gave his services for the canal project, adhering to the technical guidelines extended by the volunteer irrigation specialist enlisted by the SAVE Advisory Committee. By the end of May, 337 meters of canal had been constructed on the rocky hill overlooking the village. The work is of a good quality, and the people are proud of what they have achieved collectively.

The SAVE Community Committee just released another installment of the approved grant-in-aid for the project. It will be used mainly toward the cost of cement, enabling the parents to build a further stretch. When completed, the canal will provide irrigation water for more than 100 hectares of land owned by the parents of sponsored children, who are small subsistence farmers. This irrigation project is intended to substantially increase their productivity and income, thus helping to emancipate the children from the depressing grip of persistent poverty. The resulting income will be used to meet the needs of the family as a whole.

A transformation has begun of the muddy roads on which the children walk from home to school. Parents began the paving of some of the roads on March 15th, and as of this writing the first phase of the roads project has been completed. An area of 765 square meters has been paved - 215 meters in excess of what they initially set out to do. Twenty-six households, with about 180 people, benefit directly from the newly-built roads.

Handicrafts are becoming increasingly popular among the village women. Ten new mothers and young, out-of-school jobless girls joined the project, raising the membership to 47. In addition to hand embroidery and crocheting, machine knitting and dressmaking were introduced this quarter. The participants raised part of the needed working capital from among themselves, and with supplementary funds from SAVE sponsors and contributors, purchased five new knitting and sewing machines. They are not only taking the greatest care of these machines - they are making optimum use of them. Training and production take place at the SAVE Community Center, and follow a timetable set by the participants themselves, in consultation with the trainer, Miss Harba Kairouz, and the SAVE staff.

The women are now learning to make children's dresses, and markets for anticipated production are being explored. A major objective of the handicrafts project is to generate gainful employment, increase the family's income and enable the parents to better meet the basic needs of their children. The development of handicrafts offers also an ideal opportunity for the training of village women in responsible decision-making and management of social and economic development. They make all decisions related to the project and manage its funds. This is a new kind of experience for all of them.

Lebanon/74-

THE HAY es-SULLUM PROJECT

The very active SAVE committee members in Hay es-Sullum completed the survey of their community. A number of the young people volunteered to help in visiting homes and interviewing families. In the process, they became much more knowledgeable about the living conditions and the needs of their friends and neighbors They also learned of the dreams of the people, their hopes and aspirations, and their willingness to participate actively in a collective effort to improve the community. All of the interviews have been coded, and the data is presently being analyzed at the computer center of the American University of Beirut.

The Community Committee and its subdivisions have been enlarged. New members, like Naj Mahmoud Fadil, have emerged in connection with certain projects as being genuinely concerned and willing to devote talent, time and resources to help advance the well-being of the children of the community.

The committees have been meeting quite frequently, in some instances once every week, to handle a wide rage of program-related matters. The people of Hay es-Sullum have had very little past experience with systematic community committee work. SAVE personnel, therefore, work very closely and continuously with these committees. A step-by-step nurturing of systematic committee work is being forged. Knowledge, skills and positive attitudes are being steadily converted into dynamic and efficient systems for the improvement of levels of living.

Roads in Hay es-Sullum are in very bad condition. For six months of the year, the children must walk in mud and water to get to school. The SAVE Community Committee encouraged the improvement of the roads.

Four fund-raising teams were formed from among the residents, and lists of potential contributors compiled. (The teams elected their respective captains at the SAVE Community Center). A drive was launched in March, which resulted in $1500 being raised for the improvement of the roads.

To this quite sizeable sum, the people added their skilled manual labor. SAVE sponsors and contributors provided the steam roller and asphalt. By the end of May, the people completed the construction of 2360 square meters of roads with an all-weather surface - roads that link homes to schools, markets, doctors.....

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There are many more muddy roads in Hay es-Sullum, roads that still need to be rebuilt. But a good beginning has been made.

Children are now receiving medical care at the SAVE health clinic. An additional physician, Dr. Ahmad Shaheen, has been recruited, and the clinic is now open six days a week. To accommodate the growing services of the health clinic - which include immunization, child health, maternal health and family planning - the Community Committee leased a larger house composed of three rooms, a hall and a small garden. A committee member who is a skilled painter helped paint the premises. Another, who is a skilled blacksmith, made a beautiful, sturdy gate for the garden's entrance. All the people are justly proud of the new quarters.

Health improvement is inextricably linked with sanitation. A practical program of improvements in sanitation has been started, with an insect control campaign. SAVE funds helped to provide three sprayers plus insecticides. Five teams, each composed of four volunteers, were formed and trained. The capable and enthusiastic project sanitarian, Mr. Nabil Watfa, supervises the spraying of households and open breeding spots. An attractive simple leaflet on mosquito control has been prepared and distributed in connection with the campaign. This newly-launched sanitation program holds the key to the problem of disease, and offers an opportunity for carrying into effect the policy of helping people to help themselves.

In March, Mr. and Mrs. Kent Howell and their delightful young daughter, Nina, visited Shareefah Assaf, their sponsored child in Hay es-Sullum. They were warmly welcomed at Shareefah's home (where they got acquainted with the members of her family), at Shareefah's school (where they conversed with her teachers) and at the SAVE health clinic (where they met the doctors and nurses and saw the immunization session in action.)

The Howells also devoted another day of their trip to visit our Upper Baalbeck Valley project. Such friendly and mutually rewarding visits from our treasured sponsors greatly enrich SAVE's people-to-people program.

Andre Karam

Andre Karam
Director

Written at Qaddam
Translated at Beirut
Typed at National Office

AN OPEN LETTER TO FRIENDS OF SAVE THE CHILDREN FEDERATION

from INSSAF YOUSIF HADSHEETI

Our dear friends:

I am Inssaf Yousif Hadsheeti in the third elementary grade. I live in Qaddam, a small village in the Bekaa. It is 20 kilometers from Baalbeck. Baalbeck is very famous for its ancient ruins and Roman high pillars. It is visited by many tourists from all over the world. But our village is very small and seldom has visitors. The people of our village are friendly and generous. They like foreigners and strangers. They need many things because of their low income. They do not lack enthusiasm and willingness to work for the improvement of conditions. When Save the Children Federation came, it found the people ready to cooperate and give their services for doing projects to improve our community. The people said they need irrigation canals and better village roads. In winter, our roads become very muddy. With help from SAVE, the people started to work on these projects.

Now we have also in the village a health center. The visiting doctor attends to the sick who, before, used to suffer the travel to Baalbeck at a high cost. Also our mothers and older sisters learn sewing and knitting at the handicrafts center.

On behalf of all the children and the people of my village I thank Save the Children and all our sponsors.

Your loving child,

Inssaf Yousif Hadsheeti

Lebanon/74-7
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صديقنا العزيز

انا اسحاق نوح هرشيني في الصف الثالث الثانوي ، اعيش في القلم وهي ضيعة صغيرة ، في البقاع تبعد عن بعلبك مسافة ١٠ كلم ، وبعلبك مشهورة جداً بعواميدها العالية وبآثارها الرومانية القديمة ويحضر اليها السواح من جميع انحاء العالم ، واما قريتنا فهي صغيرة وقليلاً مايزورها احد. اهالي بلدتي لطيفون ويحبون الغرباء والزوار وهم كرماء ايضاً مع الفقر. بحاجة الى اشياء كثيرة سببها قلة المدخول ، ولا ينقصهم الحماس للعمل على تحسين الاوضاع. وعندما جاء المانحون الاطفال وجدوا الاهالي مستعدون لتقديم التعاون والخدمات في سبيل اقامة المشاريع الجديدة لتحسين الاوضاع العامة. فقد وجد الاهالي انهم بحاجة الى اقنية ري والى تحسين الطرقات الداخلية التي توحل في فصل الشتاء وابتدأ تنفيذ الاعمال. واصبح لدينا مركز صحي يأتيه الطبيب لمعاينة الاهالي بعد ان كانوا يتكلفون كثيراً بالذهاب الى بعلبك. ويجري الآن تدريب الامهات والبنات بإنشاء مركز الصوف اليدوية. انا اشكر افراد الفوج وجميع المساعدين باسمي وباسم اهالي ضيعتنا.

المخلص
اسحاق نوح هرشيني

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Save
The Children
Federation

COMMUNITY REPORT
TANZANIA - SPRING - 1974

Tanzania philosophy and policy is rooted in the belief in the equality of man. Further, it is held that man is both the purpose for and the instrument of development. The only reason for development is man, and man develops himself.

Since Tanzania is a predominantly agricultural country and the majority of the people are still living in poverty and disease, there is a major effort underway to improve the standard of living of the people in the rural areas. The SAVE program will be concentrated in two villages at Nyumba ya Mungu Dam and in two secondary schools in the Kilimanjaro region of Tanzania.

THE NYUMBA YA MUNGU DAM PROJECT

Using funds from the World Bank Loan, a dam was constructed in 1967 - Nyumba ya Mungu Dam, God's House. The purpose of the dam was to provide electricity and irrigation for the area, but the lake created by the dam has good economic potential, due to the excellent fishing. The present population of the entire lake region is around 25,000, an interesting mix of Tanzanian citizens from different tribes and groups living together in harmony.

Tanzania/74-3
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The two villages in the SAVE program are Mikocheni in the Moshi district and Lang'ata in the Pare district, with a combined population of approximately 3,000 people - 500 families. Mikocheni is the poorer of the two, having very little social or economic structure. The houses are poor, with mud walls frequently crumbling. The diet is limited, offering but poor nutrition. Medical facilities are non-existent. The only school is a makeshift shed without flooring, equipped with benches made of logs resting on rocks.

But in the school the SAVE representatives found about 40 tots, all bright-eyed and expectant, orderly and eager to learn. The teacher is a young man who has finished only primary school, but the village has asked him to give up his former livelihood (fishing) and devote all his time to teaching their children. Educationally, he is poorly equipped for his task, but he was certainly making a valiant effort to follow prescribed school procedures, and he did have their complete attention. The school has no books, no note paper, no pencils, no equipment of any kind - other than the blackboard stand on which the teacher was writing. SAVE sponsors can help here.

The people need better boats and better equipment if they are going to make a living by fishing. There are abundant fish in the lake and there is a market for their catch. SAVE sponsors and contributors could help in this project, also. Given a good boat and suitable equipment, a reasonably good fisherman could earn about 4,000 shillings annually, a magnificent sum!

The village of Lang'ata is slightly more prosperous than Mikocheni, but only by comparison. The houses are not quite so dispirited in appearance, and Lang'ata does have a school - about six miles from the village. However, the pattern was much the same as in Mikocheni, with the basic problem of fishermen who have not had sufficient training for their chosen trade.

The creation of the dam also offers a substantial potential for growing vegetables. This project would certainly improve the diet of the inhabitants, and there is a good market for vegetables in nearby Moshi.

In order to provide for more efficient marketing of the fish and to eliminate the high cost of the middle man, a development corporation has been formed. This corporation will purchase the fish at the shore at a fixed and reasonable price, storing some and forwarding the remainder to the immediate market. Some facilities have already been installed, including refrigerated storage. SAVE sponsors and contributors can help to implement this excellent plan.

To sum up the immediate needs of the people of Mikocheni and Lang'ata:

1) The services of a boat builder and a fishing expert for a limited period would enable the fishermen to determine the type of equipment required and how best to exploit the fishing potential.

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2) Housing can be considerably improved through advice on better design, local effort and small amounts of cash for tools, some essential supplies, etc.

3) If the people build their own school, which they desperately need, the government will provide teachers.

4) Similarly, if they can build a dispensary, the government will staff it.

SAVE sponsors and contributors will help to provide the answer to these needs.

SECONDARY SCHOOLS

Unlike American and European schools, where education must gear students for the industrial and commercial sectors of the economy, the schools of Tanzania must equip their students for self-reliance in agriculture.

Ninety-five percent of the population live in rural areas and are engaged in subsistence farming. Tanzania has no desire to educate children above the job potential of their communities, so that they flock to the urban centers in such numbers that the positions they are equipped for are rapidly filled. They would soon become burdens of society.

So schools in Tanzania are geared to train and prepare children to become greater contributing members to their respective villages when they complete their secondary education.

They are encouraged to assess for themselves their greatest needs and gently led into making their own decisions. In carrying out their projects, they receive training in simple business and farming techniques. There is sufficient evidence to show that Tanzanian schools are indeed preparing the young people to be self-reliant.

THE WERUWERU GIRLS' SCHOOL

Six miles west of Moshi Town, on the lower slopes of Kilimanjaro, is the Weruweru Girls' Secondary School. The school was built in 1963 by the Asumption Sisters and run by them until 1970 when it passed under the jurisdiction of the government. The original school consisted of eight classrooms, a science block, two dormitories and two teachers' quarters. It orginally served 108 pupils.

Today the school has expanded to fifteen classrooms and soon expects to have 600 students. Weruweru Girls' School is one of the best secondary schools for girls in Tanzania. It is under the able management of Mrs. Mary Kamm and her team of twenty-three teachers - fourteen women and nine men - all of different nationalities.

The school is surrounded by the Chagga tribe. The very name of the school is from the Weruweru River - one mile away - which in the Chagga language means "something which runs very fast". The main occupation of the Chagga is farming. Bananas and coffee are the main crops of the highlands, but this area is so dry for almost half of the year that only cereals can be grown. There are a few estates of coffee which were formerly owned by foreign settlers - the only ones who could afford irrigation during the long dry season.

The girls of the Weruweru School have a thriving poultry project. They raised 430 chicks this past year, some of which were eaten and some of which were sold. They have built a new coop and plan on extending it. They also have a piggery, and are awaiting a shipment of pigs. The sale of eggs to the outside community was a great success.

They are eager for a handicrafts project. This project is one that SAVE would like to help them realize.

THE SAME BOYS' SCHOOL

Three miles from the town of Same (pronounced Sah-May') is the Same Boys' School. This is another secondary school with excellent leadership. The Same Boys' School is under the direction of a young headmaster who is most interested in developing self-reliance among his students.

The boys elect a committee each year which is responsible for the day-to-day operation of the non-academic projects. Their present projects are poultry raising and a goat herd. The poultry project is successful and the boys can market as many eggs and chickens as they can produce.

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They also have a small consumer's cooperative which tries to serve the needs of the surrounding community as well as the needs of the students.

The boys of the Same School have an ambitious plan. They want to build a community center, not only for the school's use, but to serve the entire community. There is no gathering place in the area, and one is desperately needed. SAVE will help the boys to build their Center.

The children of Tanzania have many needs. Through your commitment to SAVE you can help to solve many of their problems. This is but a beginning.

Ernest F. Grigg
Director

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STATEMENT OF GLORIA C. MATTHEWS, INTERNATIONAL EXECUTIVE DIRECTOR, FOSTER PARENTS PLAN INTERNATIONAL, INC.

Ms. MATTHEWS. I too will capsulize my report. May I ask that our statement be made a part of the record.

Senator MONDALE. It will be made a part of the record at the conclusion of your testimony.

Ms. MATTHEWS. I would like to add just one item which we did not respond to, that is from the original GAO report.

The original GAO report stated:

> FPP promotion materials state that foster children and their families are selected from among "the very neediest" or are "desperately needy." We found some FPP field offices will generally not accept the most needy families in an area because they feel they are less likely to achieve FPP's "goal of becoming self-sufficient."

All of our families are desperately needy. There are additional criteria that must also be applied since our organization does not have the funds to aid all of the desperately needy. Motivation, ability to use PLAN assistance, are among these other criteria. PLAN is not a relief organization handing out food to masses of hungry people. PLAN's goal is to help a child and his family achieve the necessary education, training, and guidance so that they may get on their own feet and no longer require welfare assistance.

This is our promise to a foster parent. When they come to us, they have our literature and we make the promise, and they know precisely what the background of the child and family is we are helping and what our goals for that family are.

I do want to thank GAO. It was a very helpful exercise for us as well. They did not make judgments in the area of social welfare, and we feel the observations were sound, reasonable and objective.

I would iike also just to refer briefly to their statement that all of us need to evaluate the effectiveness of our programs. I think we are all very much aware of the need for this. It goes back to the question of funds. We are all looking for the contributor dollar. Our existence depends on contributions. We have very little funds to do the kind of research that is so important. But we are on the way and we hope very soon to have something. Research has been done on our Bolivian program now being published.

Also we subscribe to the strengthening of the Advisory Committee. We have been registered with the Advisory Committee since 1948, and prior to that we were listed with them. Through these years their help has been supportive, their interest has been great, and it has just been very unfortunate that they did not have enough staff to do what was required.

We would like to qualify, however, that the requirements for the Advisory Committee should be in terms of the uniform accounting, honest advertising, meaningful fiscal audits, reasonable allocations of expenditures among programs. We support the essential elements referred to by Mr. Duff of the Government Accounting Office.

We also support very strongly the statement made by Helen O'Rourke, the Director of the Philanthropic Advisory Department, Council of Better Business Bureaus, to your committee on February 19, 1974. We certainly hope some meaningful guidelines will come out of these hearings, Mr. Chairman.

I do thank you very much.

Senator MONDALE. Thank you very much.

[The prepared statement of Ms. Matthews and supplementary material submitted by Foster Parents Plan International, Inc., follow:]

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Box 400, Warwick, Rhode Island 02886, U.S.A.
Cable: Fosterplan • Warwick, R. I., U.S.A.
Telephone (401) 738-5600

Foster Parents Plan International, Inc.

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NATIONAL OFFICES

Australia
Foster Parents Plan of Australia
75 Park Street
South Melbourne, Victoria

Canada
Foster Parents Plan of Canada
153 St. Clair Avenue West
Toronto, Ontario

United States
Foster Parents Plan, Inc.
170 Service Avenue
Warwick, R. I. 02886

TO: THE SENATE SUBCOMMITTEE ON CHILDREN AND YOUTH

FROM: GLORIA C. MATTHEWS, INTERNATIONAL EXECUTIVE DIRECTOR, FOSTER PARENTS PLAN

RE: Testimony in response to the two items in Senator Mondale's letter to me of August 1, 1974:

I. The points raised about Foster Parents Plan in the Government Accounting Office draft report;

II. Legislative or other recommendations on how the public can best be assured that the contributors and beneficiaries of voluntary aid agencies receive the maximum effectiveness from their charity dollars.

I wish to state, first of all, that Foster Parents Plan is satisfied with the GAO review. We have been well pleased with the calibre of people that the GAO used to review our offices. We did not expect them to make professional judgments in the area of social welfare, community development, etc., and they did not. However we feel their observations were sound, reasonable and objective.

I. The most important observation they have made, in our opinion, and the one to which I would first address myself is on Pages 8, 10 and 11, Section A, of their report. This refers to the need for measurable goals. The report states: "FPP has recently started to make periodic in-country evaluations but they are still quite subjective and oriented more toward efficiency than effectiveness."

We are very much aware of the need to evaluate the effectiveness of our programs. FPP has a precise set of criteria for the acceptance of children and their families into our programs in every country; and we have a precise set of criteria for cancelling children and their families from our programs in each country. We do an annual evaluation of the progress of each client-family. As the GAO has stated on Page 17, Section A: "Foster Parents Plan has a record of actively reviewing the need to continue in each country and phasing out of those countries it felt were no longer in great need." But in addition to all this, we continuously search for new ways of measuring the effectiveness of our activities. One of the results of this desire on our part was a study we commissioned of our Bolivian program. It was done between January and June of 1973 by Dr. Melvin Burke of the University of Maine, and is entitled: "Socio-Economic Study of the Effectiveness of the Programs and Services of Foster Parents Plan of Bolivia".

Furthermore, cognizant of our need for continuing program evaluation and desirous of maintaining high quality professional services, our Board approved my recommendation in 1972 to create the position of Director of Field Services. Our Director of Field Services has completed this year more detailed evaluations of our programs in Colombia, Ecuador, Peru and Bolivia than we have ever done before. This measuring of effectiveness is a question that is not unique with Foster Parents Plan nor with our type of activity. For example, within the United States right now, one of the frequently debated issues in our own public schools is how to measure the quality and effectiveness of the teaching. We are in this same search for accountability, and our own long experience and expertise in the field of international social service for children and their families is one of the tools we are drawing upon in making this evaluation.

Now I wish to respond to the chart in the GAO report in Section D, Page 7, indicating that the Foster Parents in our three sponsoring countries donate different amounts for that sponsorship. Foster Parents in the United States have been contributing $16.00 a month for the last six years. When we set the Foster Parent donations for Canada and Australia, they were equivalent to the U.S. dollar amount. However, as you all know, rates of exchange have been fluctuating, and the result is three different amounts in the three sponsoring countries. We have debated many times as to when we should realign these sponsor contributions so that they would again be equal, but we will have to wait to correct this point until such time as currencies are no longer fluctuating to the extent they are at present.

II. Foster Parents Plan suggests that the Advisory Committee on Voluntary Foreign Aid be strengthened. We urge that its criteria for registration be tightened so that registration very definitely means that certain precise standards are being met. Voluntary agencies should continue to be allowed to state that they are registered, and the Advisory Committee should withdraw that registration any time an organization does not continue to measure up to its requirements.

We would hope that the Advisory Committee registration would come to have so much meaning that various state, county and city registration offices would cease to require our filing documents all over the country and begin to accept Advisory Committee registration as a guarantee that an agency is honestly stating what it does.

The Advisory Committee's requirements should be in terms of uniform accounting, honest advertising, meaningful fiscal audits, reasonable allocations of expenditures among program, administration and fund-raising. In this context, we support the "essential elements" referred to by Mr. Duff of the Government Accounting Office, on Pages 27 and 28 of his statement to this subcommittee. It is certainly appropriate that the Advisory Committee should be in a position to state that we are doing that which we tell the public we are doing. In order to perform that task, the Advisory Committee must make on-the-spot observation of our international work. The Advisory Committee has had the quality of committed personnel, but has not had enough of them or sufficient funding to perform this task. The fact that we strongly believe in standards, the fact that we believe in the Advisory

Committee enforcing these standards does not, however, suggest that we believe in an unwieldy bureaucracy being created by the Advisory Committee or by AID or by anyone else that would seek to impose its judgments from afar upon the day-to-day work of private organizations such as Foster Parents Plan. If the Advisory Committee cannot be enabled to undertake this assignment, we would welcome periodic reviews by the GAO.

We are in general accord with the statement by Helen I. O'Rourke, Director of Philanthropic Advisory Department, Council of Better Business Bureaus, to your Committee on February 19, 1974, (Congressional REcord, beginning S1854, of February 19, 1974.) We would also refer your Committee to Henry Suhrke's NON-PROFIT REPORT of February 1974 in which there is a draft of the Council of Better Business Bureaus "guidelines for bona fide organizational solicitation." We believe that the American contributor would be appropriately protected, while maintaining the private and independent status of the voluntary agency, if these guidelines are implemented.

August 14, 1974

FOSTER PARENTS PLAN, INC.
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NATIONAL HEADQUARTERS P.O. BOX 400 WARWICK, R.I. 02886
CABLE: FOSTERPLAN • WARWICK, R.I. • TELEPHONE (401) 738-5600

November 13, 1974

Senator Walter F. Mondale
Chairman
Senate Subcommittee on Children and Youth
United States Senate
Washington, D. C. 20510

Dear Senator Mondale:

Foster Parents Plan, Inc. is pleased to accept the suggestion of your staff that we submit for the record a statement pertinent to the Subcommittee's examination of the work of child welfare agencies operating internationally. The statement consists of:

- A discussion of points raised in the report of the General Accounting Office on its audit of the five child welfare agencies. This document addresses principally points of the GAO report that directly or inferentially pertain to Foster Parents Plan. (Section "a")

- A brief description of PLAN's structure and some of the key policies that guide our work. This is submitted in the belief that the GAO report, while understandably succinct, failed to take notice of the reasoning behind key operational practices designed to further our work. (Section "b")

- A report on events that have been triggered by the GAO audit and the Subcommittee's examination. For the most part this is a discussion of the considerable amount of unfortunate and inaccurate publicity that has been generated...and the probable consequences. (Section "c")

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We reaffirm our support of the worthwhile objectives of your Subcommittee and thank you personally for the thoughtful and businesslike manner in which the inquiries have been conducted. However, we urge extra care be taken in the preparation of the report and any attendant press releases to reduce the possibility of inaccurate news stories which can have a deleterious effect upon worthwhile child welfare agencies and efforts (to say nothing of the very American tradition of volunteerism, i.e., care and concern for one's fellow man).

Your personal letter to the Minneapolis Tribune of October 24, 1974, demonstrates your awareness of the importance of this issue.

With all best wishes.

Sincerely,

Solomon Hoberman, Chairman
Foster Parents Plan, Inc. U.S.A.

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enclosures

cc: Dr. Robert C. Sorensen, Chairman, Foster Parents Plan International
Ms. Ellen Hoffman, Subcommittee Professional Staff

November 8, 1974 Section "a"

DISCUSSION OF SELECTED POINTS RAISED IN GENERAL ACCOUNTING OFFICE REPORT AS THEY PERTAIN TO FOSTER PARENTS PLAN

The General Accounting Office document contains information about Foster Parents Plan and four other voluntary foreign aid agencies and was developed for the use of the Senate Labor and Public Welfare Subcommittee on Children and Youth.

Both in the initial section ("Responses To Specific Subcommittee Questions") and the Tab (D) concerned with Foster Parents Plan there are areas where Foster Parents Plan feels additional comment is desirable - both to expand on what the GAO says and to explain where misinterpretation might be possible.

The general discussion in Tab A about management and general cost reporting variations mentions "...one agency we reviewed classifies all audit fees as an administrative expense". Since this is Foster Parents Plan's practice we assume the reference is to us. This procedure is in accordance with the recommended guidelines for charity accounting recommended by the American Institute of Certified Public Accountants.

Where the GAO states "...another allocates its fees to program services and fund raising as well as management and general" it should be clear this reference is not to Foster Parents Plan.

Following in the GAO report is the comment that fund raising costs include expenditures for soliciting contributions and the salaries of personnel connected with such campaigns. "Four of the voluntary agencies reviewed clearly identify these costs in their financial reports." Foster Parents Plan does clearly identify such costs in financial reporting.

The GAO report undertakes to describe variations in that practice by the fifth agency. As implicit above, it is clear this is not Foster Parents Plan.

The report comments on variations among the agencies in treating field office operating expense. It states "FPP reports the administrative portion of their field office costs as supporting costs, not program costs." This desirable practice is in complete accordance with the charity accounting guidelines of the American Institute of Certified Public Accountants.

A little later the GAO presents a table for fiscal year 1973 agency expenditures in percentages. As the GAO notes:

> "Except for separately identifying field office operation costs and capital expenditures, the percentages are based on the voluntary agencies' classification of expenses."

Foster Parents Plan, in turn, notes that accounting practices will tend to make apparent differences. What some allocate to administration others will consider field expense and so on. Foster Parents Plan does not assign administrative expense to program services. A somewhat clearer picture may be obtained from using the reported figures by combining the three key categories other than Program Services:

	CCF	FPP	SCF
Field Operations	5.6	7.7	13.0
Administration	8.9	14.8	10.0
Fund Raising	9.4	4.6	13.2
	23.9	27.1	36.2

Above and beyond the differences in where expenses are assigned, it should be noted that Foster Parents Plan programs, having a strong family counseling and financial assistance component, require more administrative supervision and are therefore somewhat more costly to administer than more simply structured agencies.

In a following comment the GAO notes that "...Some (management) salary costs are classified as program costs by some agencies." It should be noted that this is not true of Foster Parents Plan.

When the GAO report addresses the Subcommittee question of "Do the Voluntary Agencies Use Their Resources Effectively and In the Public Interest?", the first paragraph includes this:

> "All of the voluntary agencies were clearly accomplishing some of their objectives. However, none of the agencies regularly establish clearly measureable goals which could be used to evaluate progress in accomplishing overall objectives, although there were isolated projects in some countries with quantified goals."

Foster Parents Plan is glad that the GAO recognizes that it is accomplishing some of its objectives, including educational assistance, vocational training, medical and dental care and the improvement of income levels of the children and families assisted. These appear to be acknowledged by the GAO in the Tab D inspection of Foster Parents Plan. They are identifiable objectives and measurable goals which Foster Parents Plan does indeed measure. Every FPP program has, for example, income cut-off points above which assistance is not continued because the family will have reached a certain level of self-support. Yet other goals, clearly subject to evaluation, concern the variety of project assistance to the communities in which the children and family live. The objective and achievement of building a primary school, a latrine, a dam, are clearly measurable.

Furthermore, Foster Parents Plan is developing even more tangible measures to periodically assess effectiveness, as well as efficiency, of programs. However, it should be noted that some social goals, e.g. increasing will and ability to break the poverty cycle, are not easily quantifiable.

When the GAO, in response to the same Subcommittee question, discusses FPP's objectives and reports their first-hand observations, they mention that in 1973, 51,000 children in 11 countries were assisted. This dramatically understates our work. One of Foster Parents Plan's clearly defined goals is to assist not only the child but the child's family. Hence, in 1973, all three FPP organizations offered direct aid and assistance to well over 250,000 people.

The GAO further commented that:

> "None of the voluntary agencies had formal systems for periodically measuring the effectiveness of their programs. The agencies do make subjective evaluations but these are based principally on personal observation and judgement."

Foster Parents Plan acknowledges this is, in a sense, true as it applies to us. We have not mounted a world-wide expensive evaluative research program. However, the difficulty of conducting meaningful evaluation research in respect to complex social programs should be recognized. Some programs, such as improving health, are subject to so many factors other than Foster Parents Plan's efforts that no cause-effect relationship could be established. It should be noted that after many years of considerable effort there is still very little generally accepted evaluative research even in extensively studied and closely audited Federally-supported programs in the United States. We do not believe it would be worthwhile for a small voluntary agency, at this point in time, to create a costly bureaucracy to make overly detailed reports with limited utility.

Where needed, however, we have done in-depth evaluations - the GAO report neglecting to mention the study recently completed on our Bolivian programs by Dr. Melvin Burke of the University of Maine.

Other GAO comments are:

> "Objective evaluations of goals against accomplishments could help agencies identify marginal or unsuccessful projects that need either additional help or to be cancelled."
>
> * * *
>
> "The lack of measurement systems or criteria for evaluating the effectiveness of agency programs also limits the Advisory Committee's ability to monitor how well the agencies are using public contributions."
>
> * * *
>
> "FPP has recently started to make periodic in-country evaluations but they are still subjective and oriented more toward efficiency than effectiveness."

We have introduced programs that have been successful in one country to other countries; for example, consumer cooperatives. We intend to continue to strengthen our evaluative programs, however, as all Foster Parents Plan programs are tailor-made to meet human needs in varying cultures so too will the evaluative tools vary with cultures. Applying the same standard for enforcing the same programs in the different countries in which we work is to ensure failure in all.

The question of efficiency and effectiveness, subjective and objective, is a technical one and one where men of good will do consistently differ.

The closing comment by the GAO in this particular section discusses one of the agency's support of an affiliated project that had been discontinued. Since the agency is not identified by name it should be noted that it is not Foster Parents Plan.

The GAO makes this statement:

> "CCF, FPP and SCF have basically the same type of advertising and sponsorship programs."

Judgement of advertising program similarity is exceedingly subjective, but Foster Parents Plan feels there are marked differences in its sponsorship program. Some examples: data about the child and his or her family provided the sponsor, both at the beginning of the relationship and as it continues, are far more detailed than those of any organization. The entire Foster Parents Plan approach encourages a closer involvement between Foster Parents on one side and Foster Child and family on the other. There is the frequency of the letters from the child, and responses; there are the annual progress reports which detail the family situation and the child's development; there are special communications from field directors when conditions or specific queries require; there are twice a year informal reports to each Foster Parent from the field director talking about general conditions and developing background on the country and PLAN's work and progress in that country.

The degree of difference is great - enough to make it a substantially unique relationship when compared to other sponsorship agencies.

In closing out that section of the GAO report, the study mentions that:

> "...Three of the agencies with sponsorship programs had occasional problems keeping sponsors informed promptly of changes such as when a child leaves the program."

This requires both comment and explanation. Foster Parents Plan prides itself on accurate and prompt notifications of change in a child's status. But, on occasion, time can be soaked up while a social worker seeks to learn why children fail to appear for an innoculation, to receive letters and cash grants or for other scheduled or special occasions. Multiple visits to the families' homes are sometimes necessary to ascertain what happened and can consume several weeks. The alternative of immediately and arbitrarily dropping the child and family has been rejected by Foster Parents Plan, electing to value human needs above rigid application of rules. Other than this kind of delay, notification problems rarely occur.

The GAO's Tab D is concerned solely with Foster Parents Plan and additional comments are in order: the first concerns the GAO statement that Foster Parents Plan does not use direct mail in its search for Foster Parents. At the time of the report this was so, but Foster Parents Plan is testing and may utilize mail for this vital and worthwhile purpose.

The major comment of interest to Foster Parents Plan in this Tab is the GAO statement:

> "FPP promotion materials state that foster children and their families are selected from among "the very neediest" or are "desperately needy". We found that some FPP field offices will generally not accept the most needy families in an area because they feel they are less likely to achieve FPP's goal of becoming self-sufficient."

Foster Parents Plan's policy is to attempt to break the poverty cycle in which children and families find themselves caught. We do not discriminate against those families who are in the greatest need for help. All Foster Children and their families are selected from among those who are in desperate need. Since, in the underdeveloped countries there are so many impoverished people, so many more than Foster Parents Plan can hope to help, our Field Directors seek out those who display motivation to improve their lot in life. In short, we try to help those who want to help themselves. A good example might be that of a needy family where the father is a chronic alcoholic as contrasted to a family where the father is unable to work due to a disabling illness. Foster Parents Plan might be reluctant to relinquish the precious funds contributed by a Foster Parent to the control of an alcoholic parent. However, these decisions can be made only by a professional worker in close touch with the circumstances. The criterion often applied is desire to rise above the despair of absolute poverty to the hope of a better life. It is worth restating that Foster Parents Plan is not a "dole"; it is a "self-help" agency striving to open up the opportunity for a better tomorrow for people who would be without hope if Foster Parents Plan did not come to their aid.

The GAO continues:

> "FPP has changed its emphasis from helping a child to helping a family. Its promotional material continues to focus on the child, particularly in photographs. The appeal is to be a foster parent of a boy or girl. However, follow-up material provided to prospective foster parents explains that sponsorship funds go to the entire family."

Foster Parents Plan comments that the appeal is to be a foster parent of a boy or girl. As the GAO notes, we state in all promotional materials that the help is to the child and his or her family. Foster Parents Plan does use emotional appeals in the materials designed to attract new Foster Parents. We wish we had the art to make up such appeals even more compelling. Ideally, if there were a way to show the American people how great the need, how overwhelming and dispiriting the poverty of the potential Foster Children, there would be no lack of sponsors. Foster Parents Plan does the best it can to portray accurately the bitter circumstances of the children who need help...in the hope that their plight will touch people's hearts. We do not distort nor exaggerate. There is no need to.

Later, in discussing finances, the GAO comments about FPP:

> "In addition to cash income, FPP receives various types of contributions in kind and contributed services. ...The value of contributed goods and services was not always reported in the financial statements."

Foster Parents Plan states that under the conservative accounting procedures that have been consistently followed it has been practice not to include contribution of goods and services because the amounts were minimal. For recent fiscal years the amounts of such contributed goods and services were not material. For fiscal 1973 - the year examined by the GAO - the estimated amount was under $5,000. We will report such goods and services in future CPA audits.

The GAO then reprised the FPP expenditures, viz:

	Amount	Percent
Material aid and services to children	$8,814,000	72.9%
Supporting operations	2,719,000	22.5
Promotion and advertising	562,000	4.6
	$12,095,0 01/	100.0%

Foster Parents Plan comments that these are enviable percentages but they still should be put in perspective. In the 22.6% for supporting operations are costs for field support which contribute to the maintenance of the foster children and their families. Such support includes correspondence sections (responding to Foster Parents with data and information as to special family and medical situations), bookkeeping that includes the people necessary to handle the monthly cash grants and special cash gifts; the rent on buildings that house Foster Parents Plan including medical and social work facilities; postage and handling of the letter exchanges between children and "parents" and so on. Over 80% of contributed funds goes overseas for direct aid and vital support field functions.

The GAO footnote records a Capital Expenditure of $252,952. During the fiscal year (1973), $115,721 was a one-time-only cost paid on our building in Warwick, Rhode Island, where we moved in order to lower costs. At the time of the GAO study we had an outstanding mortgage of $474,034 for a total building cost of $589,755.

The GAO further notes:

> "From the funds donated by sponsors, field offices are budgeted $118 per child per year for material aid and services. Some of the remaining funds were also used by some field offices to provide special services to FPP families such as paying for eyeglasses, funerals, or other extraordinary expenses. For example, FPP in Colombia allocates $4 a year, in addition to the $118, for special services. The remaining amount is used for supporting operations and promotion and advertising at the field, national, and international offices.
>
> Generally, the family of the foster child receives the benefits and all family members share with the child. The amount of material aid and services provided to foster children and their families, however, varies from one location to another. For example, in Greece each family receives $9.83 in cash each month. In Colombia, each family receives only $5.25 in cash, but the foster child and his family are eligible for medical and dental care, education benefits, and other services. In Korea and the Philippines, the cash grants ranged from $5.70 to $8.20, depending on the area where the family lived."

Foster Parents Plan points out that the $118 identified as going to the field office for each child is importantly supplemented from sponsor funds for the cost of social workers and other items of specific assistance. While it will vary from country to country, our estimates are that on the average, $157.75 of the Foster Parent's support payment of $192 goes overseas. That is 82%. On the average, $34.25 is allocated to Administration and Information and Advertising. Much of this amount is used for child/"parent" correspondence handling, accounting and the search for replacement and new Foster Parents. Since Foster Parents Plan spends more than $192 per child per year, the difference is made up from General Fund contributions.

Cash assistance is just one part of Foster Parents Plan aid. The variation in the amount of the cash grants is a function of the judgement of each Field Director and his social work staff (and is approved by the International Office). Total aid per child and family is on an equal basis throughout PLAN but the allocations of that aid to cash or medical care or education, etc., must reflect the needs of each particular area.

The closing GAO comment is that "FPP's financial statements are audited annually by a CPA. Audit work is also done at overseas field offices."

Foster Parents Plan notes that our Certified Public Accountants are, and have been for 14 years, Price Waterhouse & Co. One of the reasons for their selection is that they are world-wide and able to offer standardized accounting procedures in all of our overseas offices.

* * *

November 8, 1974 Section "b"

DESCRIPTION OF FOSTER PARENTS PLAN STRUCTURE AND POLICIES

The recent study by the Government Accounting Office of five child welfare agencies is part of the record of the inspection of private charities by the Senate Sub-Committee on Children and Youth. As one of the five child welfare agencies involved, Foster Parents Plan, Inc. welcomed the GAO audit and strongly endorses the aim of the Senate Sub-Committee in examining the relationships between the Advisory Committee on Voluntary Foreign Aid and agencies that it has registered.

However, since the GAO report, in the interests of succinctness, treated, in part, the five child welfare agencies operating internationally as a group or category, it tends to address in general terms practices and procedures that may not apply to each specific agency. This is a necessary and understandable result - the GAO report both summarized its investigation of the field and detailed specific findings on the individual agencies.

Nevertheless, it is possible to assume that certain of the policies and procedures discussed in the report apply across the board to all the agencies. Foster Parents Plan feels that its charter and mode of operations make it distinctively different from other private voluntary agencies at work today. Therefore, in the interest of absolute clarity, we respectfully submit for the record the following brief description of what

Foster Parents Plan is, how it works, and some of the policies it practices to assure the successful attainment of its goals.

The Work of Foster Parents Plan

Foster Parents Plan is a non-profit, non-sectarian, non-political social welfare agency. PLAN works among the poor societies of the world, those under-developed countries not yet able to support the impoverished in their population. PLAN helps selected needy children and their families 1) by giving them a direct monthly cash support, 2) by providing programs calculated to help them improve their living standards and 3) by providing counseling and training that will enable them to attain a better life for themselves.

PLAN is usually classified as a child welfare agency for two reasons: first, it is PLAN's policy to place emphasis on feeding, education and health for the young in the belief that these are the major solutions to chronic impoverishment. Second, the Foster Parents Plan appeals, and to some degree its actual day-to-day operations abroad, emphasize the support of children. This appeal approach dates to the beginning of Foster Parents Plan in 1937 when the agency was originally conceived and started as a means to help children orphaned by war. Through the years, PLAN's focus and facilities developed and broadened to encompass needy children, orphaned or not, who have little if any chance for a decent life without outside help.

In point of fact, PLAN does not help children only - PLAN helps needy families with emphasis on special assistance to the children. Quite obviously, it would be illogical, if not impossible, for PLAN to select a needy child, offer support and assistance to that child, and let the rest of his family remain without health, or other services, in abject poverty. Consequently, when a child is enrolled and accepted for PLAN help, it is actually the entire family of the child that receives assistance.

However, from the standpoint of the Foster Parent, the donor or sponsor who makes this assistance possible, the focus of the charitable relationship is indeed one child. The Foster Parent and Foster Child have an opportunity to develop a true one-to-one relationship through the regular exchange of letters. The Foster Parent knows, through progress reports from the field, that his contributions are assisting the entire family. However, for the vast majority of the 34 thousand present U.S. Foster Parents, the spirit of the humanitarian work derives from the special and personal relationship between Foster Parent and Foster Child. And, it is unquestionably this relationship that attracts new Foster Parents to the support of this work and keeps them loyally dedicated to its continuance.

In fact, the average Foster Parent continues in support of PLAN's programs for many years, sometimes fifteen or more. Similarly, almost 75 per cent of Foster Parents accept a new Foster Child when the one they have been supporting is deemed old enough or economically improved enough, or for other reasons, no longer needs their help.

As mentioned previously, historically Foster Parents promotional or solicitation appeals have strongly emphasized the rewarding relationship between Foster Parent and Foster Child. Such appeals, in whatever form they may take, also emphasize the great need of the people PLAN is trying to help. It is never necessary to exaggerate or over-dramatize this need...

it would be virtually impossible to overstate the poverty of the average PLAN family. Additionally, the person who elects to become a Foster Parent receives a case history on the child and family involved which clearly states their circumstances. Naturally, through the monthly exchange of letters, the Foster Parent gains even further knowledge of the family's condition and added evidence as to how his contribution is being used to improve their lot in life.

While every family of every Foster Child receives a monthly cash grant, PLAN is not a dole. The emphasis of PLAN's work is always on self-help...PLAN strives to help people who have the desire to help themselves. The monthly cash grant may contribute importantly toward providing the basic necessities of life but PLAN's supporting programs are calculated to keep PLAN families healthy enough or to train them well enough to lead useful and productive lives.

Because of PLAN's unusual format, stressing the need of the child, education and self-help, it is possible perhaps for an outsider to view PLAN primarily or solely as a child welfare agency. However, as pointed out in the GAO report, all material published by PLAN clearly shows that the range of PLAN programs go far beyond child welfare alone. While this is not the case with all agencies that extend aid only to needy or orphaned children, PLAN's position in the social welfare world is to help families. PLAN's way to encourage a generous public to help families is to urge them to sponsor or "adopt" a Foster Child.

Since it is also Foster Parents Plan policy to encourage Field Directors to shape programs to each country's conditions and needs, the execution of PLAN policies is varied. The dimension of their diversity is illustrated in each year's annual report (copies attached to this submission).

This report, mailed annually to each Foster Parent and to all who request, details the programs, illuminates the differences, and records hopes for new and enlarged program undertakings.

PLAN operates in ten under-developed countries around the world. In each of these countries the organization is headed up by a specially trained field director, usually an American. The staff working with this field director are nationals of the country involved. The composition of PLAN's staff, as detailed each year in the annual report, may vary widely from country to country depending upon the needs of the area and other facilities that may be available.

Each PLAN field director and his indigenous staff enjoy considerable autonomy in determining the health, welfare or social services that will best serve the PLAN families in the area. Naturally, he is guided by previous PLAN experience and by operation manuals, procedures, and policies. International Headquarters comments on his quarterly reports and on the findings of headquarters staff visits to the field. Setting policy and overseeing PLAN field units in the ten under-developed nations are the responsibilities of the International "company". The three related national organizations - in the United States, Canada and Australia - are responsible for the logistics involved in securing and maintaining the relationships with Foster Parents. The International company headquarters (in Warwick, Rhode Island, along with the U.S. office) performs a wide variety of functions necessary to keep the field organization operating effectively and efficiently. It shares with the U.S. organization the very considerable liason work necessary with Foster Parents.

The U.S. organization handles the flow of correspondence between Foster Parents and Foster Children. To give some idea of the magnitude, that correspondence, plus such mail as receipts for payments and contributions, averages approximately 165,000 pieces per month.

While there are approximately one thousand people actively employed in the operation of Foster Parents Plan throughout the world, only a handful of these are in administrative capacities. The largest job category in PLAN is field social workers; this is approximately 30 per cent of our total employee group. These are people who handle the individual children and families, evaluate need, work with children and families to help them plan and take steps to a better way of life.

In true managerial roles, world-wide, there are only 19 employees (and this includes 11 field directors)...or 1.9 per cent of the work force.

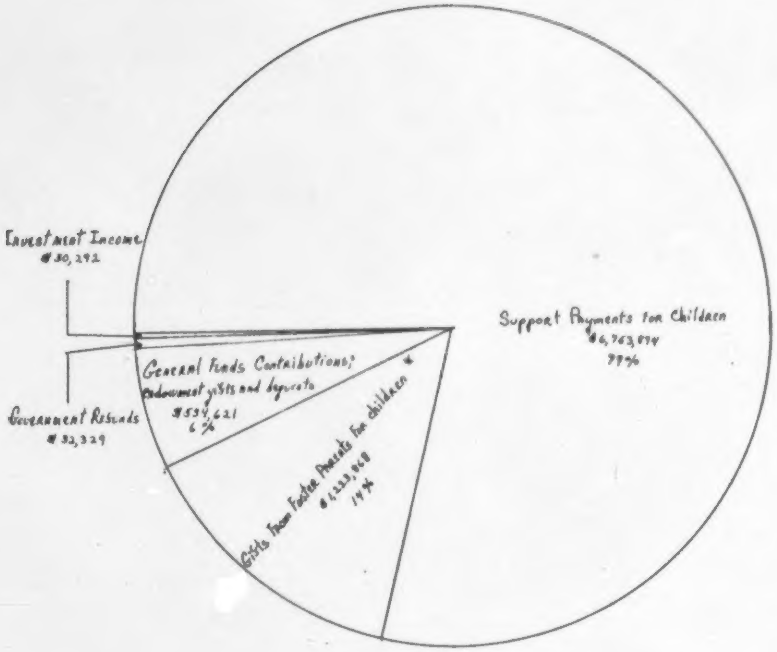
PLAN considers itself fortunate indeed in that we have people of exceptional calibre and dedication in these managerial roles. The calibre is exemplified by the complex programs we mount and by the large number of needy families we are able to help with such a numerically small staff. The dedication is demonstrated by the willingness to work under low salaries under difficult, life-threatening conditions, for PLAN can not compete with industry or even government salaries. The highest paid employee of PLAN, the International Executive Director, earns $28,938. (Incidentally, this has been obtained after 33 years of service). The salary of the U.S. National Director is $23,850 (after 12 years of service). The average of all the 83 employees in the U.S. National office in Warwick, Rhode Island, is $6,999 a year.

Despite low salaries, PLAN has done very well in attracting competent workers. Some of this success is undoubtedly due to the fact that we are working in under-developed countries. For example, the current complement of 100 people that make up PLAN's group in Bolivia earns an average salary of $1,769. This is partly because we are able to attract social workers for an average of $1,716 a year, a bookkeeper for $2,115 a year and a public health nurse for $1,283.

While such salaries seem unbelievably low by United States standards, they are one reason why PLAN is able to make the Foster Parent contribution stretch so far in helping a needy family. For example, to illustrate how PLAN deploys its revenues, we append charts showing a) sources of all monies received by Foster Parents Plan U.S. in the GAO's study year of 1973, and b) how the money is presently being used for our work in Bolivia (similar charts being available for each of the other nine countries in which PLAN works).

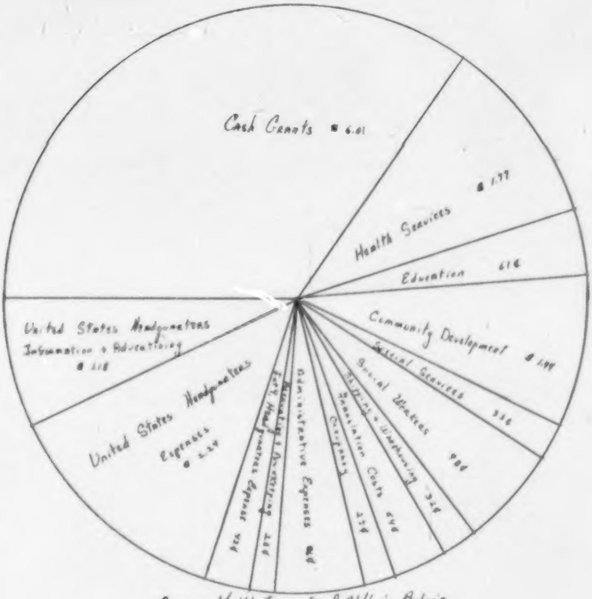
BEST COPY AVAILABLE

Foster Parents Plan, Inc.
U.S. National Revenue Received
F/Y 1973

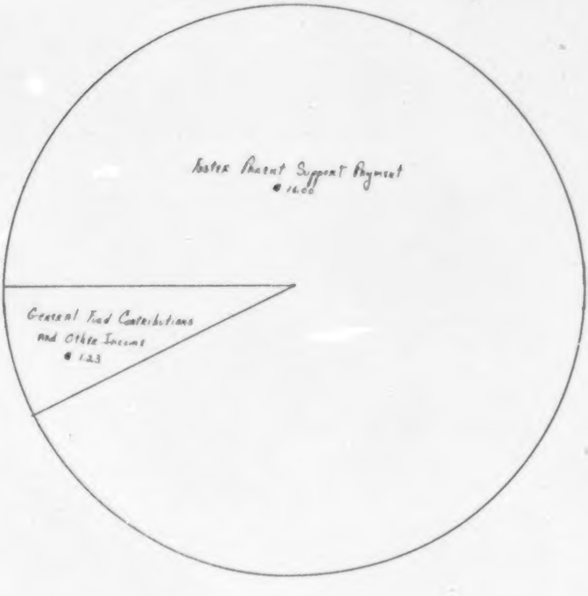


* Transmitted direct and intact to recipients

Foster Parents Plan
Average Monthly Cost For A Child in Bolivia
$ 17.23



Average Monthly Income For A Child in Bolivia
$ 17.23



Bolivia

ESTABLISHED 1969
AVERAGE ENROLLMENT 3377

LA PAZ

Bolivia today is a nation of great hope and great tragedy. Blessed with fantastic reserves of both natural and human resources, Bolivia lacks the massive funds necessary to develop her potential. Average family income is appallingly low. Health, educational and welfare services are wretchedly inadequate.

Life in La Paz, 12,500 feet high in the Andes, is harsh. But La Paz is populated by a wonderful people, steeped in Inca traditions which survive even to this day. Amidst abject poverty, there is a pride and sense of human responsibility here that are a joy to see and share.

Foster Parents of Bolivian children provide the funds for a variety of direct assistance services and, at the same time, long-term individual, family, and community self-help programs.

Direct assistance services include: monthly cash grants to families to help with school costs and other basic needs; a complete PLAN medical clinic which serves more than 4,000 members of PLAN families each month and regularly offers massive vaccination campaigns; a Special Services Fund for family emergencies such as surgery, eye glasses or a hearing aid, burial of a loved one, or for the establishment of a business which will bring economic independence to a foster family.

Through self-help methods and with the counsel of our trained personnel, PLAN family members lead and direct their own savings and loan society, knitting, carpentry and food cooperatives to provide themselves with work, income and products at a reasonable cost. The cooperative activities of the PLAN family members are headquartered in the PLAN Cooperative Center.

PLAN works daily with low-income residents, providing technical skills and materials so the residents themselves can construct public water tanks and taps, streets, lighting, public lavatories, schoolrooms and school benches and many other long-range public projects. All this is tangible and meaningful self-help activity for the individual, the family and the community.

The rainy season this past year brought problems of huge proportions to PLAN families and the slum areas where they live. From December through March, the rains produced gigantic landslides and flash floods, destroying homes, killing and maiming. PLAN set up, and will continue during each future rainy season, a series of emergency measures which include: special flood relief community development funds so the residents themselves can construct flood retaining walls and dikes to protect their communities; picks and shovels so the residents can dig themselves out from flood disasters; and special funds for those PLAN families who lose their homes and belongings during the rainy-flood season.

After our first five years of operation, 4,150 poor families are receiving direct assistance from their Foster Parents. This means the children can live, stay healthy, go to school, have better homes, some decent clothes and more nutritious food. Thousands more are working and seeing community development projects literally rise from the ground due to their own labors and your help through PLAN.

Don D. Roose
Director in Bolivia

SERVICES & PROGRAMS

Guidance and Counseling — provided on a regular basis to assist in finding solutions to family problems.

Intensive Casework — families with particularly difficult family problems are transferred to a special caseworker who provides in-depth counseling and follow-up. Once the situation is stabilized the family is returned to a regular caseworker.

Group Work — Sewing courses, nutrition and hygiene lectures, outings for city children, and a savings cooperative have been well received by our families. Further activities are planned.

Psychological Testing — In cooperation with Asian Psychometric Consultants, Inc., children of sponsored families are given intelligence and mechanical aptitude tests which are used to give educational counseling to them.

Medical — Saigon area families receive the benefit of services offered by our clinic in both preventive and curative medicine. During the coming year we hope to improve both the quality and scope of these services. PLAN also cooperates with major hospitals in the Saigon area and makes referrals to these institutions for families requiring special or emergency type medical treatment.

Dental — is a new operational field. We presently conduct lectures in preventive dental care, dental examinations and basic dental treatment to families in the Saigon area and some outside centers.

Loan Fund — interest free loans for the establishment or expansion of small businesses, emergency family expenses, educational and outside medical costs.

Field Training — PLAN, in cooperation with the Caritas School and the National School of Social Work, provides students with meaningful experiences on the practical side of social work.

Volunteers — foreign and Vietnamese volunteers assist in general administration and in our clinic.

PERSONNEL

49 social workers

12 part-time translators

1 doctor

1 medical nurse

1 dental nurse

26 administrative, clerical and service personnel

FUTURE PLANS

Geographical consolidation and expansion of services to outlying areas.

Expansion of Group Work activities.

Expansion and improvement in the quality of medical and dental services.

Experimental projects in community development.

Administrative — management improvements to include staff development.

Rural Day Care Centers — two "seasonal" day care centers, one for each rural family program. The centers will be made available during the planting and harvesting time.

Programs for the blind and mentally retarded — attention to family members who are blind or mentally retarded.

Expansion of Rural family program — a third rural family program on the outskirts of Daegu.

Program for children with Tuberculosis.

Basically, the money PLAN receives from generous donors in the United States is used in three distinct ways: cash grants, programs and services, and administration. The cash grant to a recipient family varies from country to country where PLAN is at work. It currently ranges from a low of $3.95 in Indonesia to a high of $7.39 in the Philippines. This variance is based upon local conditions (not the least of which is the value of the U.S. dollar) and the types of special services that are most vitally needed by PLAN families. The cash grant typically raises the direct income level of a PLAN family anywhere from 10 to 100%. $3.95 a month in Indonesia, for example, may seem a pitifully small bit of relief, but if it doubles one's monthly income it can work wonders for a standard of living.

The major portion of the balance of the contributed dollars goes into programs and service abroad for PLAN families. There are many different programs and services, but the usual basic PLAN services are health care (medical, dental treatment and hygenic training), educational programs for both children and adults and self-help projects designed to improve living and earning standards for families and communities.

On the average, more than 80% of every dollar received by PLAN, from the American Foster Parent and other sources goes directly to grants or services and field support to the poor people PLAN is trying to help. Of the balance of approximately 20% of each contributed dollar some 15% goes into administrative costs including the handling of correspondence between Foster Parents and Foster Children (critical to the Foster Parent/Foster Child relationship), the maintenance of headquarters in the United States, and the audit and review of field programs, among many other things. The remaining portion, around 5% of total available dollars, is used in the vital work of information and education. This specifically includes some paid advertising designed to attract new Foster Parents whose contribution will enable PLAN to help more people.

It should be noted that Foster Parents Plan transmits, intact, any cash gift from a Foster Parent. These are special occasion or special need cash donations over and above the monthly $16 the Foster Parents contribute. No handling costs are applied for such gifts, nor have they in PLAN's 37 years.

Foster Parents Plan has been categorized in the GAO audit as a child welfare agency. As such it is lumped together with organizations that have dissimilar modes of operations and goals. Perhaps, the biggest difference between PLAN and other agencies operating in the child welfare field is that while others frequently operate through second and third parties, PLAN works directly with the poor people it is trying to help in its current ten countries. Some agencies may solicit contributions here in the United States and then give monies to, for example, an orphanage or a hospital abroad to help children in these institutions. PLAN has found it more efficient and effective to create directly the structure of people, programs and policies in each country to help the needy. While we imply no criticism of the mode of operation used by others, we know exactly where the dollars we collect are going and how they are being used because it is PLAN employees who administer the programs and dispense those dollars. Today, it is a PLAN social worker who analyzes the needs of an indigent family, a PLAN doctor or dentist who treats the family, and a PLAN social worker who counsels them. Consequently, we believe we hold our chances for inefficiency or leakage of dollar use to a minimum.

Another factor is that PLAN supports only those families which have young children who are of school age or younger. We withdraw support if the children discontinue their education or training, or if a family becomes economically able to support itself or if the child completes his secondary education.

PLAN policy is that PLAN tries to assist those people who demonstrate a willingness to help themselves. It is worth repeating that PLAN is a self-help agency and not a dole. While there may well be families that can never be expected to be able to take care of themselves, a decision concerning which families can or cannot be helped can only be made by a responsible social worker on the scene. With human lives at stake, Foster Parents Plan tries to avoid policies that legislate against anyone and always decides doubt in favor of the needy.

* * *

November 8, 1974 Section "c"

CONSEQUENCES OF NEWS STORIES RELATING TO THE GAO REPORT

Those of us involved with Foster Parents Plan like to feel that we subscribe wholeheartedly to the need for constant improvement in our efforts, personally and professionally. That is why we welcomed and endorsed, publicly and enthusiastically, the recent study by the Government Accounting Office of five child welfare agencies operating internationally. The thoughtful and workmanlike GAO analysis produced worthwhile suggestions for which we are grateful. However, the study has generated an alarming, and unexpected, outgrowth. Rather than improving and advancing the work of the five child welfare agencies that were studied, the GAO's examination, quite unintentionally, has produced serious, potentially critical short-range effects. As one small corner of the structure of philanthropic giving in the United States, Foster Parents Plan feels, based on recent experience, that there is a danger that the traditional charitable instincts of the American people may now be somewhat blunted by doubts and uncertainties.

The problem, in a nutshell, lies with the difficulties inherent in rapid mass communications. News coverage is a competitive field and some press professionals will distill the most exciting elements out of the news stories that come to their attention. Consequently, much of the reportage on the legitimate and praiseworthy GAO study was flavored with overtones of malfeasance, misconduct and chicanery, although none of these implications are inherent in the GAO report as a whole - or in the section of the report pertaining to Foster Parents Plan specifically.

We recognize at the same time, that the nation's press did not set about deliberately to smear child welfare agencies. It is the nature of today's news that headlines often feature the negative aspects of some stories and subordinate the inherently unexciting positive aspects.

Such has been the case with the coverage surrounding the GAO audit of child welfare agencies. The five voluntary agencies involved were not found to be without administrative shortcomings, even failures...although Foster Parents Plan was pleased that its review reflected only minor suggestions for improvements.

Nevertheless, by emphasis, influence or omission, some news coverage indicated the GAO report implied much more than the need for operational improvement; it insinuated the issue of criminal conduct.

And the news coverage has been extensive. More than 250 stories from major newspapers across the country have been sent to PLAN. The essence of these stories, triggered by syndicated releases from United Press International and The Associated Press, is that Foster Parents Plan, among others, was shown by the GAO study to be mismanaged and that child welfare agencies used misleading advertising to attract contributions from the American public. Most damning of all have been press statements that the five child welfare agencies have "no way of guaranteeing donors their funds will reach the intended beneficiaries".

Consequently, the good work of this organization is imperiled.

Fortunately, while there have been many inquiries from Foster Parents about the nationwide publicity, only a handful of our sponsors have withdrawn their support. The reason for this may be simple - the Foster Parent is involved in the work. He receives regular general reports - including full Price Waterhouse statements - showing where his contribution is going and what work is being accomplished; he gets progress reports on how his child and family are doing; he receives regular correspondence from the child. He sees vividly what good PLAN is doing. There have been questions, of course, some of them hard and bitter. There have been some arbitrary cancellations. But there has also been a welcome response of praise and support for PLAN's work from the people who know it best, the Foster Parents whose charitable instincts make it possible.

The grave danger is not that PLAN will lose its valued and knowledgeable supporters. The danger is that the unfortunate news reporting stemming from the GAO report and the Sub-Committee investigation may make it difficult to attract new Foster Parents to replace those lost to natural attrition and those needed to help additional desperately poor children and their families.

The character of fund-raising activities in the child welfare field was discussed in the GAO report. The report referred to the fact that PLAN advertising was emotional in character. We are not sure whether this was intended as a statement or a charge. We are certain that the press has picked this aspect of our operation with misguided inferences that PLAN advertising is calculated to dupe the public. In fairness, it must be stated that, in one or two instances, there have been inaccuracies in PLAN advertisements. In no way did these human errors invalidate the content or character of the messages. In no way were they an attempt to trick the gullible.

While advertising to ask people to help others is inherently emotional, PLAN also attempts to keep it factual. Unlike most other agencies dealing with similar subjects, PLAN uses actual, not typical, case histories in its advertising. To help conserve communications dollars we tend to use one advertisement or television commerical repeatedly over a period of time. If this happens, the child featured in the communication might no longer be in critical circumstances because he is receiving PLAN's assistance. Obviously, we would not withhold our assistance to a needy child in order to give a television commercial a longer life. Similarly, if we featured a different needy child in each advertisement our production cost would be prohibitive. And we try to keep our advertising costs down.

The work of PLAN is literally dealing with life and death. Our social workers abroad come to us weekly with hundreds of cases of children and families in the direst of personal straits. Some of these children are permanently damaged before PLAN is able to find help for them in the form of a Foster Parent. They suffer for lack of the modest money and services that we can provide. It is inconceivable that PLAN could in any way exaggerate the need of these poverty-stricken people.

Yet, in news stories in media from coast to coast, PLAN was "accused" of misleading advertising because the child in a recent ad insertion is no longer in great need, is in fact receiving assistance, through PLAN, from Foster Parents in Sandusky, Ohio.

It is worth noting that PLAN is able to reach quite a large number of potential Foster Parents and contributors from its modest information and education budget. There are many reasons for this. PLAN receives some small share of the public service time allocated by the nation's radio and television stations. Consequently, for the modest cost of producing messages, PLAN has been receiving substantial contributed broadcast time each year. We strive constantly to encourage stations to give even stronger support to our work. A great fear at the moment is that with the pall of adverse publicity presently over the child welfare field, stations will reduce or withdraw support and that Foster Parents will lose an efficient means of gaining public attention. Should this happen, our work would be critically hurt. For we must have a continuing flow of new Foster Parents to replace those lost to natural attrition.

At this writing there can be little doubt that the important work of the nation's internationally oriented child welfare agencies may well have been jeopardized. Obviously, this was not the intent of the GAO audit or the Sub-Committee inspection. But it is not enough to indicate that injury may be the price of progress. It is not enough to hope that the public will recognize incomplete or inaccurate news reporting. It is not enough to assume that the public has a short memory.

As an agency registered by the Advisory Committee of Voluntary Foreign Aid since its inception, Foster Parents Plan is anxious to assist in any effort that may make such registration more meaningful and effective. As a tax-exempt, non-profit organization, Foster Parents Plan believes that Government should have the right to monitor and assess our work in the interests of the American public. As a private sector agency, Foster Parents Plan is strongly opposed to any form of restrictive legislation or bureaucratic control that hampers or impairs our ability to operate effectively or efficiently and to encourage people in affluent nations to help the poor in the least developed. For these reasons, PLAN wants to cooperate closely and fully in any future Government study that contributes to our effectiveness in fulfilling the conditions of our charter. We pledge our support to this end.

But, even as we do so in the interest of the tens of thousand of poor people who rely on PLAN's assistance, we are fearful that an important voluntary American activity directed to helping others may have been severely damaged. If this proves true, there is much more at stake than the work of Foster Parents Plan.

For the burden of helping the poor in the deprived nations may then fall entirely on government. Voluntary help, from person to person, has little slippage and is far preferable than help from one faceless bureaucracy to another faceless bureaucracy. Many Congressional committees have commented on the large amount of slippage inherent in governmental giving.

At stake is one of the most precious and admired national characteristics - the charity of Americans.

* * *

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Statement from
Robert C. Sorensen
Chairman, International Board of Directors

Foster Parents Plan International is a new medium for the PLAN family of national organizations, coordinating worldwide activities in 14 countries. PLAN actively seeks Foster Parents in Australia, Canada and the United States, and soon will commence such activities in Europe. Since PLAN's beginnings in 1937, we have broadened our aid to children to include their families and communities in Asia and Latin America. Soon we expect to commence those activities in Africa. Foster Parents Plan International reflects the growing international scope of our organization, and we appreciate the part each one of you plays as Foster Parents or general contributors to PLAN.

PLAN offers the means for people to generate opportunity for children and their families and communities to move beyond wretched poverty levels. We have always been dedicated to the idea that all people are our brothers and sisters, and we are doing our best to enable as many as possible to use the experience and expertise of the PLAN organization to help themselves. And so we give not only money but family services, the chance to go to school, medical care, and new ways to earn a living.

It is also important to us that we care, and we are prudently trying to make good things happen by caring.

Robert C. Sorensen

Statement from
Gloria C. Matthews
International Executive Director

At the end of our fiscal year 1974, PLAN was assisting over three thousand more foster children and their families than at the beginning of that year.

Our preparatory work in Haiti was completed, and we shall commence helping children and their families and communities in this, the poorest country of the Western Hemisphere, in the new fiscal year.

Our investigations into the poverty and starvation in Ethiopia were completed and an Agreement was signed enabling PLAN to prepare for its first African program.

And so it is evident that PLAN continues to reach out, bringing the compassion of the Foster Parents and the knowledgeable guidance of our own staff to the children and their families and communities in some of the neediest areas of our afflicted globe.

The child, as always, is the center of our attention. Through our own work and our own experience, we have learned that a child is reached through his family and his community; and therefore PLAN works with children and their families and their communities. It is basic work, sometimes in urban slums, increasingly more often in rural areas, leading to a healthier life. And that means improvement in living conditions, sanitation, education, medical care, and a broadening of the horizon of possibilities for all the people we reach.

With pleasure and pride we refer you to the following pages of this, our annual report of activities in Fiscal Year 1974. We hope you will share our pride in the accomplishments. It has all been done because you care. It can be expanded because more of you care. It MUST be expanded far wider because there are so many young hands reaching out to PLAN. On their behalf we thank you.

Gloria C. Matthews

Combination line
JHT.

Bali, Indonesia

ESTABLISHED 1972
AVERAGE ENROLLMENT 1354

Bali is a modern-day paradox. The visitor is enchanted by its scenery and the charm of its people. For the tourist, Bali is a paradise, a haven of peace and tranquility in a troubled world.

But for PLAN, Bali is a challenge of immense proportions — overpowering poverty is the lot of many of its people. With the full cooperation of government agencies, PLAN in Bali is endeavoring to give Foster Children, families and communities hope for a better future.

Specifically, PLAN has established a two-fold program of child/family welfare and community development in five particularly poor villages. Direct financial and material aid is received by some 1,900 families, about 8,000 persons, while over 30,000 people are benefiting from the numerous community projects undertaken by PLAN. Our priority goals for assistance to the needy are in the critical areas of health, education, housing and welfare.

We are now operating a mobile health clinic in East Bali, which offers complete medical programs to PLAN families in three large villages. In addition, our expanded health services have recently included the construction of public wells and bathhouses for all villages in which we work. We have started construction of a reservoir to assure safe water supplies. This project should do much to break the vicious circle of parasitical infection carried by contaminated drinking water.

The construction and renovation of several elementary schools are now underway. With the recent completion of a wood-carving school, courses may be held in practical vocational training for children and adults.

Housing has long been a badly neglected area of need among the poor here. PLAN is developing low cost housing projects, and we anticipate setting up cooperative building works in one of our East Bali villages. Educational programs are directed toward helping villagers become more aware of the importance of good housing conditions.

So far, we have set up four village cooperatives for the sale of consumer goods. Once such cooperatives are established, PLAN plays a minor role in the management. Eventually, the cooperatives will be run entirely by village committees. All profits will go toward village projects. Each of the cooperatives employs two persons, thus creating jobs for some.

We are supporting a variety of group projects such as bamboo weaving and furniture manufacturing, handicrafts, inland fisheries, bee keeping, and pottery works. These projects do much to augment family incomes and develop useful skills.

Foster Children and their families in Bali are working diligently to help themselves. Through their efforts and the support of Foster Parents, life is taking on a new dimension for many. New hope, a sense of personal worth, a willingness to share, recognition of and responsibility to others — these are the basic ingredients PLAN is building upon in Bali.

John R. Langford
Director in Bali

PROGRAMS

Case work — service at both individual and group levels to all families requiring special help.

Community Development — projects for public wells, bathhouses, rice irrigation, road and bridge construction and reconstruction, building, renovating and equipping schools, aid in the development of rice mills and inland fisheries, small manufacturing projects such as bamboo weaving and furniture, support for home industries, animal husbandry, village cooperatives, reservoir construction, and children's play centers.

Health Education — for children and adults.

Mobile Health Clinic — in East Bali provides health education, preventive and curative medicine, visits all schools.

Support of Government Clinic serving PLAN families.

Practical Education courses.

Housing — educational program to help families become aware of housing needs.

In-service training — for social work staff and field work experience for students from the School of Social Work.

PERSONNEL

8 case workers
3 community [illegible]
2 nurses
9 administration, accounting

FUTURE PLANS

Expansion of community development projects.

Cooperative building works, building society and provision of low cost building material to improve housing conditions.

Expansion of existing health and education services.

Practical education courses for children and adults.

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Bolivia

ESTABLISHED 1969
AVERAGE ENROLLMENT 3377

LA PAZ

Bolivia today is a nation of great hope and great tragedy. Blessed with fantastic reserves of both natural and human resources, Bolivia lacks the massive funds necessary to develop her potential. Average family income is appallingly low. Health, educational and welfare services are wretchedly inadequate.

Life in La Paz, 12,500 feet high in the Andes, is harsh. But La Paz is populated by a wonderful people, steeped in Inca traditions which survive even to this day. Amidst abject poverty, there is a pride and sense of human responsibility here that are a joy to see and share.

Foster Parents of Bolivian children provide the funds for a variety of direct assistance services and, at the same time, long-term individual, family, and community self-help programs.

Direct assistance services include: monthly cash grants to families to help with school costs and other basic needs; a complete PLAN medical clinic which serves more than 4,000 members of PLAN families each month and regularly offers massive vaccination campaigns; a Special Services Fund for family emergencies such as surgery, eye glasses or a hearing aid, burial of a loved one, or for the establishment of a business which will bring economic independence to a foster family.

Through self-help methods and with the counsel of our trained personnel, PLAN family members lead and direct their own savings and loan society, knitting, carpentry and food cooperatives to provide themselves with work, income and products at a reasonable cost. The cooperative activities of the PLAN family members are headquartered in the PLAN Cooperative Center.

PLAN works daily with low-income residents, providing technical skills and materials so the residents themselves can construct public water tanks and taps, streets, lighting, public lavatories, schoolrooms and school benches and many other long-range public projects. All this is tangible and meaningful self-help activity for the individual, the family and the community.

The rainy season this past year brought problems of huge proportions to PLAN families and the slum areas where they live. From December through March, the rains produced gigantic landslides and flash floods, destroying homes, killing and maiming. PLAN set up, and will continue during each future rainy season, a series of emergency measures which include: special flood relief community development funds so the residents themselves can construct flood retaining walls and dikes to protect their communities; picks and shovels so the residents can dig themselves out from flood disasters; and special funds for those PLAN families who lose their homes and belongings during the rainy-flood season.

After our first five years of operation, 4,150 poor families are receiving direct assistance from their Foster Parents. This means the children can live, stay healthy, go to school, have better homes, some decent clothes and more nutritious food. Thousands more are working and seeing community development projects literally rise from the ground due to their own labors and your help through PLAN.

Don D. Roose
Director in Bolivia

PROGRAMS

Full medical program — pediatrics, clinical laboratory, pharmacy, emergency room and a staff of physicians, dentists, nurses and paramedical personnel who take care of over 4,000 PLAN family member patients monthly in the PLAN Outpatient Clinic.

Medical referrals — thousands of PLAN family member patients referred annually for hospitalization (usually at PLAN cost) or referrals to La Paz medical specialists for eye, nose, lung, X-ray and other health needs.

Community development department — helps PLAN families organize themselves to identify common needs and construct facilities to benefit the community: public water tanks, schoolrooms, flood control dams, etc.

Flood disaster relief

Group sessions for parents of Foster Children — instruction in hygiene, pre- and post-natal care, budgeting, child-bearing and other useful topics.

Literacy classes for adults — close to 2,000 PLAN mothers and fathers taking part in 3-month courses to learn to read and write.

Remedial classes

Preventive dental education

Cancer detection center — hundreds of mothers examined annually for uterine cancer signs.

Massive vaccination campaigns

Savings and Loan cooperative — run by over 3,300 members of PLAN families with assets of over $200,000; housed in the PLAN Cooperative Center.

Carpentry cooperative — run by fathers of PLAN families, providing jobs and income to unemployed, yet experienced, carpenters.

Knitting cooperative — run by mothers of PLAN families; provides clothes for families plus a modest extra income.

Food Cooperative

Legal Aid

PERSONNEL

22 case workers (including 2 work supervisors)
6 community development workers (including 1 supervisor)
3 group and education workers
2 cooperative workers
5 part-time doctors
2 part-time dentists
1 full time public health nurse
3 nurses (2 part-time and 1 full time chief of nursing)
1 full time laboratory technician, pharmacist
6 paramedical personnel
10 translators
26 administrative, clerical, maintenance

FUTURE PLANS

Bread Cooperative — providing jobs to experienced, but unemployed PLAN fathers who are bakers; will provide low cost bread (the number one food) to PLAN families.

Expansion of Legal Aid services — to obtain the services of last-year students in the Law School of the University of San Andres in La Paz to do legwork under the supervision of the PLAN attorney.

Intensive case work/group work service — special "teams" of case workers and group workers who shall have monthly sessions with all PLAN families who experience problems of extraordinary difficulty.

Research on small factories — investigating the feasibility, product-marketability, funding and equipment needed, management needs and potential source of permanent jobs for PLAN family members through the establishment of small factories in the coming years.

Branch office — expanding and offering PLAN services to two additional needy neighborhoods in La Paz.

Brazil

ESTABLISHED 1967
AVERAGE ENROLLMENT 4682

SÃO GONÇALO

In Brazil, as in other areas of the world, the growth of industry and commerce tends to improve living conditions for the upper and middle classes before being felt by the chronically poor. The inherent benefits in a growth society elude PLAN families and their children. PLAN's assistance must be directed toward the very basic requirements of good health, elementary education, and vocational training designed to prepare youth to capitalize on the opportunities which exist in a developing industrial nation.

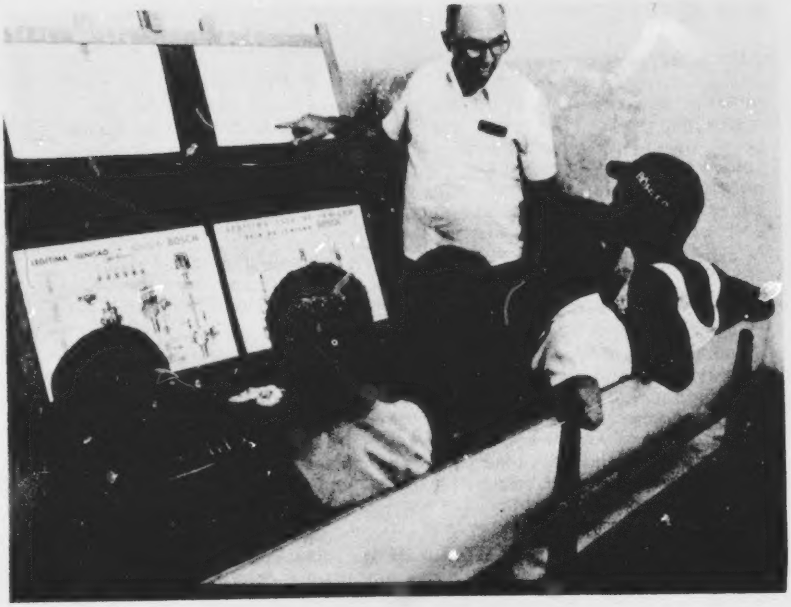
PLAN's family enrollment in Brazil grew to 5,000 during the fiscal year of 1974. Basic services in social work, health, and education were extended to needy families in the depressed areas of Níteroi, São Gonçalo and the surrounding urban and rural fringe zones.

Present programs are expanding and new programs are taking form. Social work is practiced on an individual casework basis, although exploratory study and thought is now being directed toward group work concepts and ancillary social activities. The medical program is expanding to include immunization and other preventive medical practices as well as treatment for adolescents and adult emergencies. A full dental program is in the developmental stage. Educational activities center on guidance and basic material for primary education, but also include vocational training, recreation, physical education and hygiene.

Foster Parents Plan in Brazil is fortunate to occupy substantial new facilities constructed with funds received from Canadian contributors. The final months of the fiscal year saw the installation of an adequate sewage system, a drainage system, a potable water system, and a change-over from a provisional electrical system. Projects are likewise underway to finish the education wing, equip more vocational education classrooms, outfit the dental clinic and improve the grounds.

In the eyes of the poor, life is narrow and dim. It is our role here to make their world brighter and broader, to direct our assistance towards opening up a new perspective on the future. In this effort, PLAN in Brazil is indebted to the generosity of its Foster Parents and the dedication of its staff.

David Youmans
Director in Brazil



PROGRAMS

Individual casework and social service

Child recreation

Vocational education — courses in auto mechanics, carpentry, stone-masonry, and electricity.

Physical education

Preventive Dental Program

Complete pediatric service — with clinical laboratory and fully-stocked pharmacy.

Purchase program — purchases of household and school essentials.

Primary education support

PERSONNEL

25 social workers
5 educational workers
6 doctors
1 dentist
3 laboratory technicians
1 pharmacist and microbiologist
5 nursing assistants
15 translators
25 administrative, clerical and service personnel

FUTURE PLANS

Complete dental clinic
Immunization clinic
Adolescent medicine
Adult emergency treatment
Public health education
Group social work

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Colombia

AVERAGE ENROLLMENT 7783

BOGOTÁ	ESTABLISHED 1962
BUENAVENTURA	ESTABLISHED 1965
TUMACO	ESTABLISHED 1971

Colombia, like so many developing nations, is best described as a country of contrasts. The thrust toward industrialization, with its accompanying dislocation in the social framework, has created a dual economy and society. Side by side there exist affluence and terrible poverty, the highly educated and the illiterate, the "haves" and the "have nots," the hopeful and the desperate. Along with many governmental and private agencies, and individuals, who are concerned with this social and economic disparity, Foster Parents Plan reaches out to some 60,000 needy Colombians offering help in both a material and a spiritual sense.

Bogotá, with its modern and dynamic economy, has experienced a ten-fold growth since World War II. Nonetheless, the vast majority of Bogotá's citizens needs assistance. Foster Children and their families need help to overcome the obstacles created by poverty, to join the growing middle class and partake in Colombia's increasing opportunities and benefits. PLAN-Bogotá's medical/dental effort provides full attention to needs usually beyond the reach of the poor. Educational services aimed to open up new employment opportunities are for the parents of PLAN children in order that they might continue to help themselves. Continued emphasis on school attendance, classes for borderline retarded children designed to equip them for regular schools, financial assistance in meeting tuition, cost of books and uniforms, all speak for PLAN's policy of education being the key to self-help.

PLAN-Tumaco faces a very different set of circumstances. Servicing Colombians of African origin who have been virtually excluded from the thrust for progress and its benefits, PLAN has emphasized badly needed medical attention. Having achieved significant reductions in the death rate from disease and malnutrition, we continue in Tumaco to provide urgently needed moral and financial support to approximately 950 Foster Children and their families. The essence of PLAN-Tumaco is concern, manifesting itself in medical attention, family planning assistance, loans, public health education, community development activities and special services assistance.

Buenaventura, Colombia's port city, gains little of the rewards from millions of dollars worth of world trade. Also predominantly African in origin, Buenaventura's Foster Children and their families suffer from the usual social and economic problems facing poor everywhere. Apathy, unemployment, disease and illiteracy are just a few of the problems PLAN-Buenaventura is tackling. A continuing expansion of services in the medical and dental areas, as well as vocational training, is making possible this process of self-help. This seed of hope is being extended to approximately 2500 Foster Children and their families.

PLAN-Colombia is a relatively modest program when compared to Colombia's total population and needs. Our expected enrollment of 8200 children and their families is only a small portion of the many people who need help. Yet, and most importantly, each of our Foster Children, their mothers, fathers, sisters and brothers are being helped. It is the personal concern of Foster Parents and the professional commitment of PLAN's staff in Colombia that make this help possible.

Albrecht F. Hering
Director in Colombia

PROGRAMS

Bogotá

Social services — counseling, group and family therapy; job placement; counseling on school problems; savings programs; PLAN loan programs; Special Services Fund; Boy Scout and Cub Scout troops; family Camping program co-sponsored with the local YMCA.

Educational services — assistance in meeting financial requirements for school attendance; training for employment; special education for borderline retarded children, adult literacy courses.

Medical services — out-patient clinic; complete examination for Foster Children and families; pre- and post-natal care; nutrition program; medical laboratory; pharmacy; psychological services; dental program; hospital referrals and financial assistance.

Community libraries —

Playgrounds and parks — sponsored with the community.

Buenaventura

Social assistance — job placement; revolving loan fund for small businesses.

Education — home economics courses; adult literacy classes; subsidizing tuition.

Health — public health classes; fluoride program for children.

PLAN newspaper

Scholarships for social workers —

In-Service training — for social workers.

Tumaco

Medical program — complete examination of new Foster Children and their family members; family counseling; out-patient treatment; minor surgery; venereal disease and TB control; pre- and post-natal care, parasite control.

Public health program — in conjunction with local agencies, massive vaccination for DPT, polio, measles, tetanus.

Nutrition education — for pregnant and lactating mothers; food supplements provided in conjunction with CARE.

Education program — for school drop-outs, includes tutoring and social work counseling.

Savings/loan program —

PERSONNEL

Bogotá

32 social workers and related personnel
7 doctors
1 psychologist
1 bacteriologist
1 druggist
8 nurses and related medical personnel
13 teachers
4 related personnel
6 librarians

Buenaventura

1 assistant director
11 medical personnel
15 social workers
1 teacher
1 community developer
1 translator
14 administrative, service

Tumaco

7 social workers
2 doctors
8 nurses, aides
4 teachers, translators
6 administrative, service

FUTURE PLANS

Bogotá

Expansion of camping programs.

Expansion of special education.

Establishment of consumer cooperatives and credit unions.

Expansion of vocational and adult literacy training.

Broadening of nutrition program.

Greater emphasis on problem cases.

Establishment of scholarship loan program.

Greater after-hours use of PLAN facilities.

Buenaventura

Funding for construction and staffing of health care center with the Lions Club.

Construction of neighborhood playgrounds and parks.

Literacy classes taught by high school volunteers.

Special classes for the deaf and dumb.

Trade school education for men and boys in conjunction with SENA.

Repair of bridges and catwalks.

Educational movies at PLAN.

Establishment of Boy Scout program.

Expansion of nutrition program.

Establishment of housing co-op for PLAN families.

Playground at PLAN.

Tumaco

Distribution of protein supplements to pre-school children in conjunction with CARE.

Greater operation of PLAN Community Center.

Community programs for families who wish to return to rural areas.

Massive BCG vaccination.

Ecuador

GUAYAQUIL

ESTABLISHED 1963
AVERAGE ENROLLMENT 5863

The PLAN families of Guayaquil must cope with a multitude of pressures in their daily lives. Typically, dwellings consist of small rooms with little ventilation, limited sanitary facilities and no running water. Most PLAN families live in the "suburbio," which is built over a swamp being filled in with garbage and trash, or in shacks which are on stilts over polluted water.

PLAN Ecuador has initiated group and community programs as part of a general over-all plan devised in cooperation with the Ministry of Social Welfare.

Adult literacy courses have expanded. Basic vocational training in sewing, carpentry, cooking, handicrafts and electricity are held in ten centers throughout the city.

Our medical department treats close to 2,000 patients monthly. Parasites, anemia and throat problems continue to be the major illnesses among children. PLAN is taking steps to enable all Foster Children to receive regular yearly check-ups.

The mortality rate in Ecuador is high, and the chances of a child living to four years are limited. If a child survives to five years of age, his chances of leading a normal life are greatly increased. For this reason, we have established a pre-natal and post-natal program.

During the winter, courses for students who had failed the school year and who were preparing for secondary education were held in four locations provided by the Ministry of Education. PLAN also conducted counseling and guidance sessions for adolescents. These sessions were directed by doctors, psychiatrists, and social workers. As a complement to these sessions, parents attended discussions on strengthening child/parent relationships.

PLAN is also concerned with coordinating its activity with similar agencies working in Guayaquil. By uniting forces, better use of combined resources can be made. Thus, PLAN recently organized meetings with some twenty-five local organizations which have a realistic grasp of local conditions. Foster Children and their families have responded favorably to initial efforts. Projects have included home betterment, intensive courses in sewing, mechanics, carpentry, electricity and nursing, and programs in preventive medicine, hygiene and nutrition. Plans are now underway for setting up cooperatives. With the new program thrust, PLAN family members have an opportunity to use their energy and talents and raise the level of their family income.

Richard M. Cabrera
Director in Ecuador

PROGRAMS

Monthly lectures — by doctors, social workers, nutritionists and other professionals to all Foster Children and their families on hygiene, budgeting, the importance of education, family orientation and other useful subjects.

Counseling and guidance — from doctors, social workers and psychiatrists.

General instruction — during school vacation for Foster Children who are behind in studies and who wish to attend secondary school.

Adult education courses — for mothers and fathers of Foster Children, who want to learn to read and write, and for those parents who want to learn basics of electricity, carpentry, sewing, etc.

Various contests — art, poetry and oratory contests with local artists, poets, writers and professors acting as judges; serve as a cultural stimulus for Foster Children and their families.

Youth clubs — mainly involved in cultural, social and recreational activities; through these clubs, professional social workers attempt to develop and channel the desires and ambitions of young people in positive directions.

Intensive work training programs — enabling parents of Foster Children to receive professional degrees in sewing, mechanics, carpentry, electricity, shoe repair, hair cutting (male and female), home economics, handicrafts and nursing. Some programs in initial stages.

Maternal and infant program — for those mothers who are expecting children; will involve pre- and post-natal care.

Home improvement — general guidance and instruction; loans to be provided. Program in initial stages.

PERSONNEL

- 33 social workers (case workers)
- 8 social workers (community development)
- 1 full time doctor
- 6 full time nurses
- 2 part time dentists
- 1 pharmacy attendant
- 2 laboratory technicians
- 16 translators
- 23 administrative, clerical and maintenance personnel

FUTURE PLANS

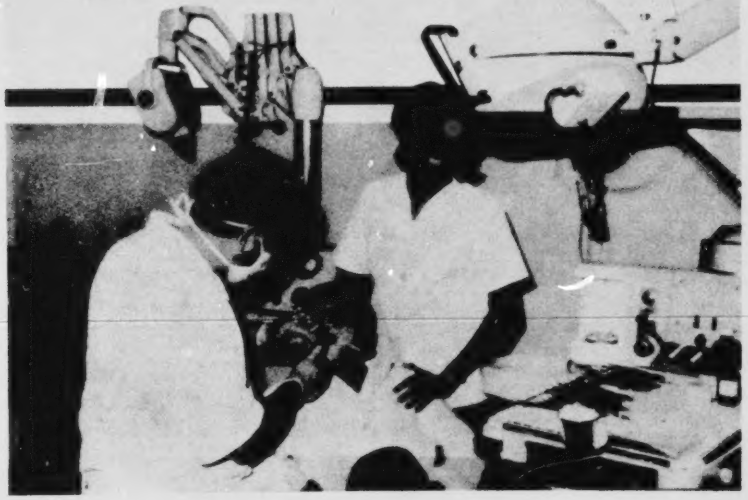
Nutritional program — with graphic materials; courses in nutrition and general diet.

Cooperatives — for providing job sources for the parents of Foster Children; housing co-operatives and credit unions might also be established.

Cancer detection — conducted with a local health institution concerned with treating cancer.

Preventive dental care — flouride treatment provided for Foster Children.

Community development projects — carried out with organizations such as municipal government; projects in land fill, school construction.



Greece

ATHENS

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ESTABLISHED 1949
AVERAGE ENROLLMENT 2180

After twenty-six and a half years of continuous help to indigent and orphaned Greek children, PLAN in Greece will reach fulfillment in June of 1975. A total of 17,606 children have enjoyed moral and material support during these years, averaging 4-7 years of consecutive help for each.

Those of us who worked in PLAN since the beginning can appreciate the tremendous uplift both moral and financial, to these thousands of Greek children. With the main emphasis on education, for which thousands of dollars have been contributed, PLAN is very proud to see great numbers of our foster children succeed far beyond the normal expectations of youngsters whose fate it has been to start out so far down the socio-economic scale. Perhaps one case history, out of the many, will serve to illustrate why we feel our work in Greece has been so rewarding. Take the case of Tassos Bounovas.

Tassos was 9 years old when he became a Foster Child. His parents and sister had died a few years previously from malnutrition and lack of medication. The boy himself had spent two years in an orthopedic hospital suffering from tubercular infection of the spine, also a result of malnutrition. He was badly deformed and until 1960 he was wearing either braces or plaster casts *(picture, lower left)*.

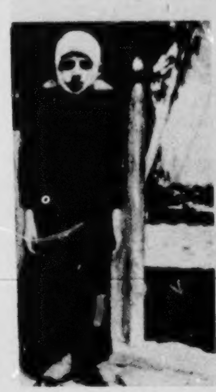
When PLAN started to help, Tassos was living with his two elderly grandparents. The family's only support was the grandmother's earnings as a laborer of around $3.00 per month. Soon, age forced the grandmother to stop working and the family depended entirely on PLAN's grant, which was their sole income for as long as the boy remained with PLAN.

PLAN encouraged Tassos to attend school and he showed promise quite early. From the time he started his secondary education, Tassos' dream was to become a doctor. He was cancelled from PLAN in 1965 because he had reached the age of 18 years. However, he still required another two years of secondary school. At the time, he lived with his grandmother because his grandfather had died of Parkinson's disease.

PLAN found contributors to finance his education. Not only did Tassos finish his secondary education, but he went through medical school and has received his degree as a full-fledged doctor *(picture, lower right)*.

The determination of the children themselves, the devotion of the Greek staff and, above all, our wonderful Foster Parents have enabled our children to grow up in health and to reach goals otherwise unattainable.

Marietta Vafea
Director in Greece



Foster Parents Plans Financial Statements June 30, 1974 and 1973

To the Boards of Directors of
Foster Parents Plan International
Foster Parents Plan of Australia
Foster Parents Plan of Canada
Foster Parents Plan of United States

We have examined the consolidating balance sheets of Foster Parents Plans as of June 30, 1974 and 1973 and the related consolidating statements of support, revenue, expenses and changes in fund balances and analysis of expenses for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was impracticable for us to extend our examination of pledges, gifts, bequests and contributions received from the general public beyond accounting for amounts so recorded.

As described in Note 2 to the financial statements, Plan adopted the policy, as of July 1, 1972, of capitalizing the cost of land, buildings and equipment acquired.

In our opinion, the consolidating financial statements examined by us present fairly the financial position of Foster Parents Plans at June 30, 1974 and 1973 and its support, revenue, expenses and changes in fund balances and the analysis of expenses for the years then ended in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of July 1, 1972, referred to in the preceding paragraph.

Providence, Rhode Island
August 21, 1974

Price Waterhouse & Co.

Consolidating Balance Sheet

	June 30, 1974					
Assets	Foster Parents Plan International	Foster Parents Plan of Australia	Foster Parents Plan of Canada	Foster Parents Plan of United States	Consolidated	June 30, 1973 Consolidated
Cash:						
Demand deposits	$151,397	$ 74,859	$265,375	$ 391,119	$ 882,750	$1,052,376
Certificates of deposit		179,100	203,901	200,000	583,001	142,500
Investments (Note 1)			256,924	901,968	1,158,892	1,362,278
Receivables:						
Pledges due from foster parents (Note 1)		10,576	29,651	70,672	110,899	109,914
Foreign government refunds	11,329				11,329	12,183
Other receivables	21,525		9,235	10,008	40,768	46,577
Prepaid expenses	45,047			3,619	48,666	44,730
Land, buildings and equipment (net) (Notes 1 and 2)	240,550	5,556	2,283	587,481	835,870	829,298
Total assets	$469,848	$270,091	$767,369	$2,164,867	$3,672,175	$3,599,856
Liabilities and General Fund Balance						
Liabilities:						
Advance payments by foster parents (Note 1)		$160,111	$814,501	$1,340,391	$2,315,003	$2,173,071
7-½% mortgage payable (Note 2)				497,581	497,581	474,034
Unremitted cash gifts to children		4,537	82,341	228,074	314,952	335,751
Accounts payable and accrued expenses	$ 1,193	22,887	58,885	127,698	210,663	311,349
Accrued statutory severance pay	255,495				255,495	202,603
Demand note payable						100,000
Total liabilities	256,688	187,535	955,727	2,193,744	3,593,694	3,596,808
Interplan balances	213,160	149,637	(492,942)	130,145		
General fund balance (deficit)		(67,081)	304,584	(159,022)	78,481	3,048
Total liabilities and general fund balance	$469,848	$270,091	$767,369	$2,164,867	$3,672,175	$3,599,856

Restricted Development Fund

Assets						
Certificates of deposit				$ 46,768	$ 46,768	$ 65,000
Fund Balance						
Restricted fund balance				$ 46,768	$ 46,768	$ 65,000

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Consolidating Statement of Support, Revenue Expenses and Changes in Fund Balances

	Percentage of expenses to total consolidated expenses	Restricted (Note 4)
Public support and revenue:		
Public support:		
Pledges for children		
Gifts from foster parents for children		
Contributions, endowment gifts and bequests		
Total public support		
Revenue:		
Government refunds		
Dividends and interest		
Loss on sale of investments		
Total revenue		
Total public support and revenue		
Expenses:		
Material aid and services	72.8%	
Supporting operations:		
Field offices	8.4	
International headquarters	2.0	
National offices	11.1	
Total supporting operations	21.5	
Promotion and advertising	5.7	$18,232
Total expenses	100.0%	18,232
Excess of public support and revenue over expenses before provision for unrealized loss on investments		(18,232)
Provision for unrealized loss on investments		
Excess of public support and revenue over expenses		(18,232)
Fund balances (deficit), beginning of year		65,000
Cumulative effect on prior years (to June 30, 1972) of changing accounting policy for acquisition of land, buildings and equipment (Note 2)		
Fund balance (deficit), end of year		$46,768

Analysis of Expenses — Year Ended June 30, 1974 — Field Offices

	Bolivia	Brazil	Colombia	Ecuador	Greece	Haiti
Material aid and services:						
Monthly cash grants	$247,588	$384,625	$ 588,284	$ 421,312	$209,019	
Gifts from foster parents	69,656	100,920	180,454	129,507	160,228	
Purchased goods		78,320		110,625	47,990	
Shipping and warehousing	15,341	12,609	24,271	17,871	2,095	
Health services	72,831	74,600	228,417	99,219		
Special services	17,427	25,319	34,534	9,216	7,265	
Community developement	60,169		30,805	5,247		
Education and group work	23,240		84,233	22,841		
Special projects and programs				20,838		
Social workers	49,687	66,123	72,905	103,355	23,077	
Translation costs	21,848	31,098	27,367	44,708	14,669	
	577,787	773,614	1,271,270	984,739	464,343	
Supporting operations:						
Occupancy costs	22,490	31,727	32,956	28,489	5,973	$ 473
Administrative expense, postage & office supplies	36,361	97,089	88,584	62,606	40,388	14,749
Bookkeeping and accounting	10,742	13,411	15,553	14,890	15,048	463
	69,593	142,227	137,093	105,985	61,409	15,685
	$647,380	$915,841	$1,408,363	$1,090,724	$525,752	$15,685
Average number of children supported in	3,377	4,682	7,783	5,863	2,180	
Salaries and wages included above	$136,838	$157,894	$ 234,664	$ 213,306	$ 57,888	$ 8,484
Employees at June 30, 1974	92	95	169	97	18	15

	INTERNATIONAL AND NATIONAL OFFICES					
	International	Australia	Canada	United States	Total	Year ended June 30, 1973
Supporting operations:						
Occupancy costs	$ 26,300	$ 17,742	$ 27,709	$ 244,632	$ 316,383	$ 253,508
Administration expense, postage & office supplies	121,286	35,064	104,131	302,574	563,055	589,892
Correspondence		21,215	34,921	110,418	166,554	175,096
Bookkeeping and accounting	21,597	25,211	69,468	302,369	418,645	514,342
Management and enrollment	87,833	37,931	43,186	35,028	203,978	262,075
	257,016	137,163	279,415	995,021	1,668,615	1,794,913
Promotion and advertising		85,931	193,646	443,927	723,504	561,970
	$257,016	$223,094	$ 473,061	$1,438,948	$2,392,119	$2,356,883
Average number of children supported by		2,700	14,652	36,752	54,104	
Salaries and wages included above	$132,499	$106,411	$ 186,128	$ 580,969	$1,006,007	
Employees at June 30, 1974	12	16	30	83	141	

Year Ended June 30, 1974

Foster Parents Plan International	Foster Parents Plan of Australia	Foster Parents Plan of Canada	Foster Parents Plan of United States	Consolidated	Year ended June 30, 1973 consolidated
	$685,623	$2,887,898	$6,755,216	$10,328,737	$ 9,671,838
	63,319	415,000	1,129,766	1,608,085	1,650,121
$20,215	32,673	229,094	571,756	853,738	723,094
20,215	781,615	3,531,992	8,456,738	12,790,560	12,045,053
23,621				23,621	32,329
1,119	12,705	22,005	43,973	79,802	64,221
			(27,384)	(27,384)	(7,510)
24,740	12,705	22,005	16,589	76,039	89,040
44,955	794,320	3,553,997	8,473,327	12,866,599	12,134,093
	460,828	2,730,936	6,102,069	9,293,833	8,814,284
41,192	51,847	281,367	705,808	1,080,214	924,370
3,763	12,637	68,581	172,035	257,016	
	137,163	279,415	995,021	1,411,599	1,794,913
44,955	201,647	629,363	1,872,864	2,748,829	2,719,283
	85,931	193,646	443,927	723,504	561,970
44,955	748,406	3,553,945	8,418,860	12,766,166	12,095,537
	45,914	52	54,467	100,433	38,556
			(25,000)	(25,000)	(72,500)
	45,914	52	29,467	75,433	(33,944)
	(112,995)	304,532	(188,489)	3,048	(96,450)
					133,442
	$(67,081)	$ 304,584	$ (159,022)	$ 78,481	$ 3,048

Hong Kong	Indonesia		Republic of Korea	Peru	Philippines	Vietnam	Total	Year ended June 30, 1973
	Bali	Yogyakarta						
$ 2,016	$ 77,033	$167,996	$ 680,968	$324,808	$ 724,285	$588,462	$ 4,416,396	$4,288,162
5,809	15,566	46,985	337,292	105,956	335,129	108,906	1,596,408	1,637,052
	42,538	99,049	17,240		97,330	101,412	594,504	565,179
	1,051	9,642	8,965	25,582	13,507	7,033	137,967	121,639
70	14,169	42,208	109,641	175,058	87,214	13,332	916,759	855,525
	10,848	18,879	77,257	26,514	25,763	18,311	271,333	262,584
	34,518	62,721		63,255	4,327		261,042	127,890
					18,394	2,063	150,771	118,263
		14,116	30,524		24,962	1,208	91,648	50,816
2,401	6,504	13,021	104,673	60,318	63,846	42,558	608,468	557,897
1,679	2,362	7,192	41,027	31,442	17,207	7,938	248,537	229,277
11,975	204,589	481,809	1,407,587	812,933	1,411,964	891,223	9,293,833	8,814,284
2,440	5,622	26,770	33,758	31,593	13,711	29,189	265,191	214,233
8,191	32,358	64,162	71,229	74,743	56,248	49,476	696,184	615,936
	1,671	3,325	14,783	14,982	7,998	5,973	118,839	94,201
10,631	39,651	94,257	119,770	121,318	77,957	84,638	1,080,214	924,370
$22,606	$244,240	$576,066	$1,527,357	$934,251	$1,489,921	$975,861	$10,374,047	$9,738,654
19	1,354	3,215	7,024	4,506	8,048	6,053	54,104	
$ 4,278	$ 19,378	$ 46,352	$ 150,398	$205,812	$ 112,618	$ 68,205	$ 1,416,115	
	26	77	81	105	90	78	943	

Notes to Financial Statements — June 30, 1974 and 1973

Note 1 — Accounting policies:

In order to aid in the understanding of the financial statements, the following summary of significant accounting policies followed by Foster Parents Plan is presented.

Basis of financial statements:
Included in Foster Parents Plan International's column of the Consolidating Balance Sheet are the various assets and liabilities of the twelve field offices which operate in eleven countries. These field offices are supported with funds provided by foster parents in the United States, Canada and Australia. Central administrative and reporting functions are performed by the international headquarters in Rhode Island and such expenses are apportioned to each of the countries.

Investments:
Investments in stocks and bonds are stated at cost and, in the case of contributed securities, at their fair market value at date of contribution.

The market value of investments at June 30, 1974 and 1973 was approximately $922,000 and $1,288,000, respectively.

Land, buildings, equipment and accumulated depreciation:
Land, buildings and equipment are stated at cost after eliminating fully depreciated assets. Depreciation is provided under the straight-line method over the estimated useful lives of the assets. Depreciation expense included in supporting operation expenses was $40,231 and $31,097 for the years ended June 30, 1974 and 1973, respectively.

Advance payments by foster parents:
Advance payments represent payments by foster parents prior to the end of the fiscal year, applicable to periods subsequent to that date.

Foreign exchange:
All amounts in the accompanying financial statements are stated in U.S. dollars. Public support, revenue and expenses of Plan Canada and Plan Australia have been translated at the average rate of exchange for the year. The current assets and liabilities of each of these entities have been translated at the exchange rate in effect at the end of the fiscal year. Land, buildings and equipment have been generally recorded at actual rates of exchange at the time of acquisition. Gains or losses from foreign currency translation are insignificant.

Pledges due from foster parents:
Although no contractual relationship exists between Plan and the foster parents, it is the policy of Plan to record, as pledges due from foster parents, cash received from July 1 through July 31 of each year, which amounts are applicable to the past fiscal year's support. This is necessary for fair presentation of financial position since amounts are expended in anticipation of receipt of funds pledged.

Note 2 — Land, buildings, equipment and accumulated depreciation:

As of July 1, 1972, Plan adopted the accounting policy regarding land, buildings and equipment and depreciation described in Note 1. In prior years, the acquisition of land, buildings and equipment had been charged to operations in the appropriate period. Plan recorded, in fiscal 1973, land, buildings and equipment of $192,228 acquired prior to July 1, 1972 less depreciation of $58,786 computed according to the accounting policy in Note 1 and credited the net book value of $133,442 to the fund balance at July 1, 1972. This change was made to comply with the accounting treatment recommended by the Voluntary Health and Welfare Organizations' Audit Guide issued in 1973 by the Committee on Voluntary Health and Welfare Organizations of the American Institute of Certified Public Accountants.

The costs of such assets are summarized as follows at June 30:

	1974	1973
Land	$197,597	$197,597
Buildings	570,106	588,057
Equipment	131,883	89,360
	899,586	875,014
Accumulated depreciation	(63,716)	(45,716)
	$835,870	$829,298

The 7½% mortgage payable is secured by the land and building in Warwick, Rhode Island and is payable in monthly payments of principal and interest of $4,084 through 1993.

Following are the approximate amounts of principal amortization for the next five years:

1975	$12,000
1976	$13,000
1977	$14,000
1978	$15,000
1979	$16,000

Note 3 — Lease commitments:

Plan is currently obligated under the terms of several leases for equipment and facilities, both in the United States and abroad. These leases require annual payments over the following periods:

1975	$34,300
1976	$18,800
1977	$16,600
1978	$16,100
1979	$ 4,800
1980-1982	$14,400

Rent expense charged to supporting operations on the consolidating statement of public support, revenue and expenses was $210,300 and $250,700 for the years ended June 30, 1974 and 1973, respectively.

Note 4 — Contributions:

Plan has received as contributions certain amounts from "Miles for Millions" and the Canadian International Development Agency. During the fiscal year ended June 30, 1974, approximately $110,000 was received from these sources and, of this amount, approximately $100,000 was expended, leaving a balance of $10,000.

During fiscal 1973, Plan received $75,000 from the Edna McConnell Clark Foundation, Inc. for use in development of grants for special projects. During that year, $10,000 was spent for this purpose, leaving a fund balance of $65,000 at June 30, 1973. Expenditures during fiscal 1974 were $18,232 leaving a fund balance of $4[illegible]68 at June 30, 1974.

Haiti

ESTABLISHED 1973
ENROLLMENT TO START

PORT-AU-PRINCE

Following an agreement with the Haitian Government in the summer of 1973, PLAN immediately took steps to inaugurate its program in this sunny country of the Caribbean. The guidance of our Canadian director gave our Haitian staff specialized training and has already started with enthusiasm to offer services to the communities selected for our first activities.

PLAN's long-range aim is to develop programs mainly in rural areas of Haiti. The hope is to help people to improve their situation where they are, countering the trend of movement from rural to urban areas. However, a thorough study of the situation indicated clearly that was necessary to establish the program in Port-au-Prince first. With some of that staff we hope to be in a position to develop working units in a rural area within the next year.

For our Port-au-Prince program we are concentrating in a sub urban zone where poor housing, malnutrition, lack of facilities and overall poverty are particularly apparent. This zone includes many small districts, literally slums, with names like La Saline, Cite Simone Duvalier, "Brooklyn", Nouvelle Cite Jean-Claude, Nan Pele and Lere Cite St-Martin. The population of the zone is estimated to be 80,000.

Our social workers, our community development workers and our monitor for family life education are already at work in this zone. We are screening families eligible for our services and working with them to explain all possible ways to improve their situation. Among those ways, it is worth mentioning that we are developing a program to make available to the Foster Children and their families medical services, both preventive and curative. We plan to provide ourselves as many preventive services as possible, including vaccinations. Wherever possible, PLAN will be working in cooperation with governmental or voluntary agencies that may also be active in some of those areas.

Louis-Philippe Pelletier
Director in Haiti

PROGRAMS

Our staff has received the training necessary to initiate PLAN's work. Surveys are now in progress to obtain added information for setting up programs. Selection of children and families has begun.

PERSONNEL

5 social workers,
2 community development workers,
1 family life education promoter,
1 medical doctor (part-time)
3 accounting, clerical personnel
1 translator
1 driver

FUTURE PLANS

Medical and general health services for Foster Children and their families.
Community development projects.
Child and family services in rural areas.

Peru

CHIMBOTE

ESTABLISHED 1966
AVERAGE ENROLLMENT 4506

Chimbote is one of the foremost fishing cities of the world and the location of Peru's largest steel mill. Yet, the people of Chimbote have suffered great reverses in the past few years. A disastrous earthquake, followed by floods and coupled with the disappearance of the anchovy schools from Peru's coastal waters have added to the already deep-seated problems of poverty and unemployment. Despite increased industrial activity, unemployment and inflation continue to plague a rapidly growing population.

PLAN Chimbote continues to extend counseling and orientation services to PLAN families. The medical services established in previous years — pharmacy, first aid, vaccinations, tuberculosis treatment and prevention, medical consultations and referrals to hospitals in Chimbote, Trujillo and Lima — are still available to all of our families.

PLAN has assisted in completing schools and community centers in several neighborhoods in Chimbote. Families contributed the manual labor for these projects, which benefit the entire community. By cooperating with other agencies and government officials, PLAN has been able to reach more areas in which our families live.

For several years, PLAN has worked with the City of Chimbote in forming a summer recreation program at Camp Athaualpa for the poor children of Chimbote. This year an expanded effort resulted in the largest program yet. One thousand children enjoyed one week at the campsite. A week of recreational, cultural and educational activities can mean a great deal to these children. In the straights of dire poverty into which these children are born, childhood as we think of it hardly exists. This program opens up opportunities and insights the children have never dreamed of before.

A medical laboratory has also been added to PLAN's facilities in Peru. The medical laboratory is a necessary complement to both the Nutritional Day Care Center and the Uterine Cancer Detection Center. Now family members receive reliable testing services at one location.

In November, treatment of children suffering from malnutrition began at our new Nutritional Day Care Center, the only one of its kind in Peru. Dozens of children who would have been permanently damaged by malnutrition have "graduated" from the Center and are doing well. After treatment, these children visit the Center for monthly check-ups so that their continued progress may be assured. Mothers take an active part in the program by attending educational sessions on nutrition and child care.

In January, we began testing for uterine cancer, and to date five thousand mothers have been tested. PLAN's Cancer Detection Center is the only place of its kind where mothers may receive pap tests.

The people of Chimbote have struggled with pride and determination to recover from past years, and to cope with the daily problems of oppressive poverty. PLAN will continue to support their efforts with material aid, services and the concern given by our Foster Parents. It is the fact that somebody cares and is willing to do something about it that makes all the difference.

David McNeely
Director in Peru

PROGRAMS

Immunization — for all children against smallpox, tetanus, measles, polio, and typhoid.

Treatment — for tuberculosis and dental problems.

Nutritional Day Care Center — treatment of children suffering from malnutrition; provides regular check-ups for children under previous treatment; education of mothers in nutrition and child care.

Cancer Detection Center — for mothers and women of child-bearing age.

Medical Laboratory

Pharmacy and First Aid

Medical Consultation — family members with serious illnesses referred to hospitals with adequate facilities.

Summer Camping Program — in collaboration with the City of Chimbote.

Community Development Projects — in collaboration with various neighborhood committees.

Educational and Recreational Programs — three community centers provide facilities.

Literacy classes

Cooperative Bakery — provides employment for a group of PLAN families.

PERSONNEL

35 social workers

6 doctors

2 nurses 14 nurse's aides

2 family educators

4 community workers

1 sewing teacher

16 translators

28 administrative, clerical, maintenance

FUTURE PLANS

Pre-school education program in neighborhood communities.

Small and large community development projects.

Expansion of tuberculosis treatment and prevention.

Expansion of Nutritional Day Care Center.

Philippines

MANILA ESTABLISHED 1961
AVERAGE ENROLLMENT 8048

Most of the more than eight thousand Filipino Foster Children and their families live on the island of Luzon, the Philippines' largest island, located in the north of the country. Since we deal with more than fifty thousand persons — the immediate family members of the Foster Children — and of necessity can employ only a limited staff of social workers, we use the three methods of our profession: case work, group work, and community organization programs. This combination offers the most effective help to PLAN families in attaining a better life.

The number of children and families who receive direct support from our generous Foster Parents, though considerable, is small in proportion to the number of families needing assistance in any given area. Community organization work has a strong impact in bringing about and maintaining adjustment between needs and resources in a community and it usually succeeds in involving local government in PLAN's social welfare programs and services. PLAN activities are concerned with the raising of standards of living, with education, recreation, cooperative action and public works. Our aim is economic and social change, and this we seek to attain by emphasizing reorientation and reinforcement of accomplished goals.

In raising the standards of people we must deal with poverty, health and sanitation problems, not only in their homes, but in their environment as well. PLAN families are taught the advantages of forming cooperatives and credit unions, techniques in farming, poultry and pig production, marketing practices and projects and collective cottage industries. PLAN's social workers motivate "our" families to become aware of the needs existing in the community such as electrification, systematic drainage, feeder roads and the establishment of irrigation systems. PLAN's participation is usually that of providing stimulation or motivation, with the least possible financial involvement.

Our most recent and perhaps most effective community organization program does not function on Luzon where most of our Foster Children live, but on the southern island of Mindanao. It is a short term service project for the benefit of displaced persons, refugees and evacuees temporarily accommodated and cared for in an evacuation center. Our ultimate goal is, of course, to motivate and prepare these families for their return to their homes when the government has succeeded in restoring peace and order in the area. In the meantime, to counteract idleness, lack of earnings, hunger, anxiety, and the plague of feeling insecure and hopeless, we work for a temporary rehabilitation of the families through community organization activities.

Robert W. Sage
Director in the Philippines

PROGRAMS

Intensive Casework — to selected hard-core cases of PLAN-assisted families with multiple problems of economic deprivation, social maladjustment and emotional blocks.

Group Work — provides activities and opportunities to PLAN-assisted families for total development; programs available include workshops, athletics and publication of a quarterly newsletter.

Community Organization Work — to enable PLAN to reach more needy people and create a nucleus for community development work around PLAN-assisted families; the focus of the service is to raise the standard of living of PLAN and non-PLAN-assisted families.

Health Services Plan — provides comprehensive medical and dental assistance, free hospitalization, medicines, orthopedic and prosthetic facilities and other specialization care to Foster Children and their families.

Guidance Counseling — the center provides psychological and personality testing; group guidance and counseling for PLAN-assisted families; it provides team assistance to individuals with personality problems; it also conducts tutorial and remedial services to slow learners and mentally disadvantaged children.

Day Care Center — offers working parents in rural areas a place to bring their preschool children for short term care during planting and harvesting seasons.

Vocational Training Programs — offered to Foster Children and their families; courses in dressmaking, cosmetology, tailoring, automotive mechanics and practical electricity, photography, stenography, stenography and typing, printing and graphic arts.

Placement Bureau — for graduates of vocational training programs.

After Care Program — guidance, counseling and handling of funds for the continuing education of qualified former Foster Children and siblings.

Consumers Cooperative Store — sells goods to PLAN-assisted families at low cost.

Field Training — students of social work and allied fields from local universities and foreign countries receive academic credit for training with PLAN.

Nutrition Education Program — two week course for mothers with pre-school children to help them utilize locally available foods for better nutrition.

Camping Program — for normal and special groups of Foster Children, their brothers and sisters, e.g. day and sleep-in camps, leadership camping.

"Meals on Wheels" — service to bring nourishing meals to families whose breadwinners are ill.

Reading Corner — for Foster Children interested in literature, writing and working on a regularly published newsletter.

Youth Center — provides organized activities for Foster Children and their brothers and sisters.

Farming Cooperatives — PLAN-assisted families are encouraged to form cooperative farms; big landowners loan portion of idle lands to PLAN-assisted families for experimental cooperative farming; many communities are involved in raising ginger, miracle rice, chili, mushroom and root crops. Piggery, poultry and duck raising are some of the ventures of other communities.

Clinical Research Project — PLAN-assisted family members who suffer from Hansen's disease are being assisted to participate in clinical research being conducted in Tala Leprosarium to test the effectiveness of drugs for the treatment of leprosy.

Adult Literacy Program — in rural communities being conducted under the auspices of the Bureau of Education.

PERSONNEL

46 social workers

15 translators

29 administrative, clerical, maintenance

An additional 78 workers assist the PLAN on a contract basis:

a. Health services — 24
b. Vocational Training — 24
c. Guidance Counseling and Day Care — 30

FUTURE PLANS

Mobile Community High School — will provide students in the last two years of high school a technical curriculum to meet the manpower needs of the community.

Research — in basic social work and related fields.

Work camps, family camping and day camps for disavantaged children.

Technical education in ready-made garment manufacturing.

Republic of Korea

PUSAN	ESTABLISHED 1953	**KO JE**	ESTABLISHED 1971
SEOUL	ESTABLISHED 1954	**DAEGU**	ESTABLISHED 1972
PAENG YONG	ESTABLISHED 1968	**SUNG NAM**	ESTABLISHED 1972
INCHON	ESTABLISHED 1971		

AVERAGE ENROLLMENT 7024

Often the needy child can only hope and wait for help. This is why PLAN is so important in the lives of needy Korean children. PLAN makes a difference by providing Foster Children and their families with a chance to become what they are capable of being. Needy children, enrolled in PLAN, not only hope, but grow and develop.

PLAN in the Republic of Korea directs its services towards the individual child, the family and the community, so they may move beyond mere survival to a truly independent level of living with a sense of human dignity.

Along with five urban areas, PLAN has established two rural family programs on islands off the mainland. The needs of the rural children and families require special programs and services unique to the rural society. PLAN is the only social welfare agency available to the rural families on the islands of Ko Je and Paeng Yong.

Children need more than hope. They need a better guarantee for their future and PLAN makes such possible through its assistance to needy children in the Republic of Korea.

John G. Anderson
Director in the Republic of Korea

PROGRAMS

Basic Services — Professional work service; case work, group work and community organization; **Medical services**; Improvement of living units; Credit union membership; Educational assistance; Vocational education and job placement; Emergency hardship assistance;

Package of medical services — As a preventive measure all new Foster Children and their families are provided the following:

a. general physical examination
b. eye and dental examination
c. x-ray (T.B. check)
d. blood test
e. parasite medication (appropriate follow-up treatment is provided by PLAN)

Foster Children's Field Trips — visits to zoo, cultural centers and places of historical interest.

Monthly birthday and annual Christmas parties — for Foster Children and their siblings.

Counseling Program — Counseling by professional staff of the Children's Guidance Clinic is provided for children exhibiting behavior problems.

Camping and hiking programs —

Mothers education classes — on sanitation, child care, nutrition, credit union savings; resources available for the family's rehabilitation effort.

Children's art exhibits —

Pig, rabbit, cattle, goat and poultry raising projects — income-producing programs of great assistance in helping families to become self-sufficient.

Fishing Cooperatives — rural families establish groups and market fish.

Hapkido program — (Korean art of self-defense) psychological and physical development; available for Foster Children and their siblings.

Day Care Program — established in Sung Nam; for pre-schoolers of working PLAN mothers. *(picture, below)*

Fund Raising — ("Miles for Millions" type) Walk Campaign — PLAN initiated the first Walk Campaign in the Republic of Korea in the spring of 1973. PLAN will hold an annual walk for the purpose of instilling in the community an awareness that many children and poor families need assistance and that fellow Koreans have the ability to raise funds for social welfare projects.

PLAN Youth Organization — includes numerous youth groups, Foster Parents PLAN Community Service Volunteer Corps, PLAN Association of Technical Youth (teenagers taking part in PLAN's vocational training and job placement program) and PLAN Alumni.

FUTURE PLANS

Sung Nam cottage industry project — provide training for disabled fathers and to develop markets for their products.

Income producing projects — to increase the number and type of such projects in the rural areas so as to enhance the family's approach towards rehabilitation.

Vocational Education and job placement — Greater emphasis to be given to the training of Foster Children and their family members in order to equip them for employment.

Rural Day Care Centers —

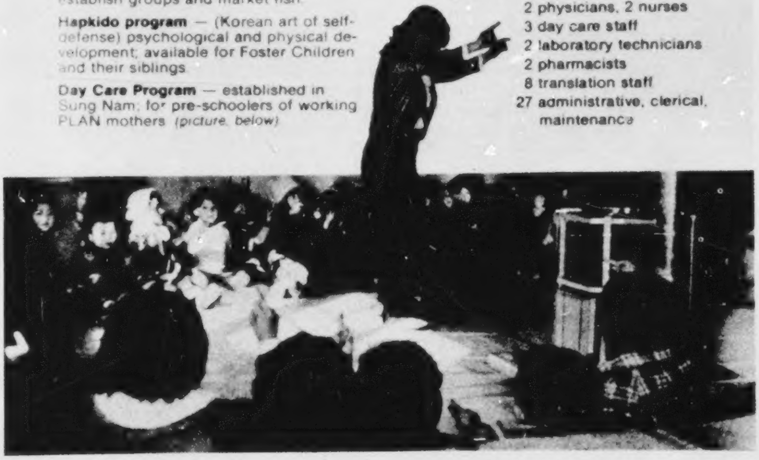
Programs for the blind and mentally retarded

Expansion of Rural family program — to the outskirts of Daegu.

Program for children with Tuberculosis

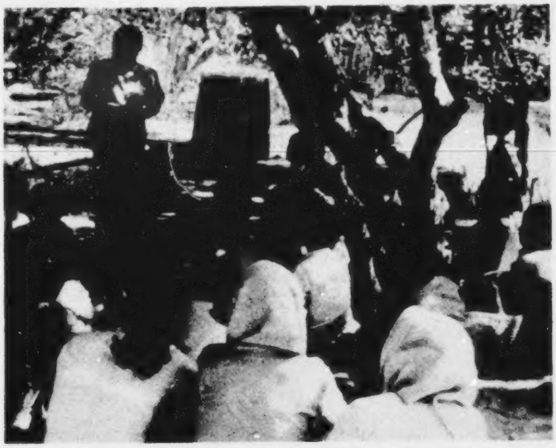
PERSONNEL

40 Social workers
4 vocational specialists
6 program staff
2 physicians, 2 nurses
3 day care staff
2 laboratory technicians
2 pharmacists
8 translation staff
27 administrative, clerical, maintenance



Vietnam

SAIGON
ESTABLISHED 1957
AVERAGE
ENROLLMENT 6053



Vietnam today is a nation in the midst of war and peace. In the countryside, heavy fighting and shelling continue to take their toll in human lives and suffering. In Saigon and in other major cities, except for sporadic incidents, there is at least an outward appearance of peace. However, war and its related effects can be felt wherever you are.

The physical effects in the form of destruction and illness are all too visible. Economic effects, as reflected in unemployment statistics and the rate of inflation coupled with the demands for modernization, place an additional burden on the people. The psychological effects — although probably very dramatic — have yet to be adequately measured.

Despite very trying conditions, PLAN-Vietnam has grown in both size and in the services offered to our families.

This year we expanded our operational base to an adjacent building which now houses our medical clinic and dispensary, dental clinic, a conference-group work room and a supply room annex.

PLAN's new dental clinic began operation in January 1974. Emphasis is placed on preventive dental care, examinations, and basic dental treatment.

Our group work program, although still in a formative stage, has been quite active both at our main office and in outlying areas. Sewing courses, nutrition and hygiene lectures, development of a savings cooperative and outings to the countryside have met with a very encouraging response from our Foster Children's Families.

Psychological testing continues to help us in providing sound educational guidance to our children on both formal and vocational schooling potential.

With our growth in the size and scope of our services we are also trying to improve in the area of administrative-management to insure quality and economy in the services we offer.

PLAN-Vietnam now looks to the future with optimism. Not the naive optimism of a dreamer but an optimism tested by fire and grounded in the determination, sacrifices and courage of the Vietnamese people.

Frank Campbell
Director in Vietnam

SERVICES & PROGRAMS

Guidance and Counseling — provided on a regular basis to assist in finding solutions to family problems.

Intensive Casework — families with particularly difficult family problems are transferred to a special caseworker who provides in-depth counseling and follow-up. Once the situation is stabilized the family is returned to a regular caseworker.

Group Work — Sewing courses, nutrition and hygiene lectures, outings for city children, and a savings cooperative have been well received by our families. Further activities are planned.

Psychological Testing — In cooperation with Asian Psychometric Consultants, Inc., children of sponsored families are given intelligence and mechanical aptitude tests which are used to give educational counseling to them.

Medical — Saigon area families receive the benefit of services offered by our clinic in both preventive and curative medicine. During the coming year we hope to improve both the quality and scope of these services. PLAN also cooperates with major hospitals in the Saigon area and makes referrals to these institutions for families requiring special or emergency type medical treatment.

Dental — is a new operational field. We presently conduct lectures in preventive dental care, dental examinations and basic dental treatment to families in the Saigon area and some outside centers.

Loan Fund — interest free loans for the establishment or expansion of small businesses, emergency family expenses, educational and outside medical costs.

Field Training — PLAN, in cooperation with the Caritas School and the National School of Social Work, provides students with meaningful experiences on the practical side of social work.

Volunteers — foreign and Vietnamese volunteers assist in general administration and in our clinic.

PERSONNEL

49 social workers

12 part-time translators

1 doctor

1 medical nurse

1 dental nurse

26 administrative, clerical and service personnel

FUTURE PLANS

Geographical consolidation and expansion of services to outlying areas.

Expansion of Group Work activities.

Expansion and improvement in the quality of medical and dental services.

Experimental projects in community development.

Administrative — management improvements to include staff development.

Yogyakarta, Indonesia

ESTABLISHED 1969
AVERAGE ENROLLMENT 3215

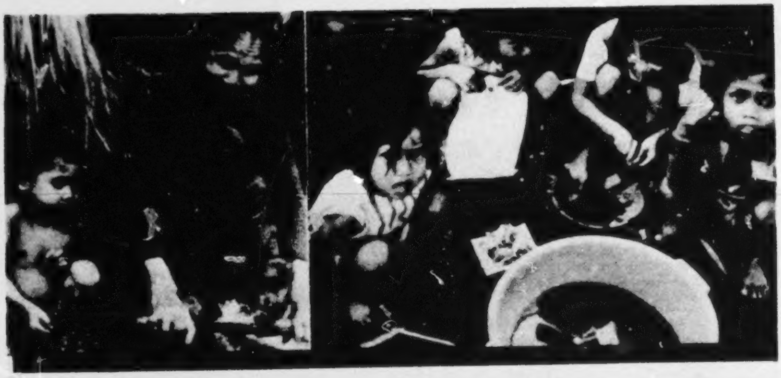
In Yogyakarta our growth in families has increased by 1,100 this year. This growth has been mostly in rural families outside the city of Yogyakarta. Material aid and social work services to help families to become economically independent continues as the main thrust of our program. Following this closely is our concern for family health, education for all children who can attend school, and community projects of benefit to the entire neighborhoods.

Indonesia is making satisfactory progress economically and socially. This helps us to provide more aid more effectively in promoting economic rehabilitation. It will also enable us to transfer our agency's medical program over a period of time to other Indonesian communities and to strengthen local medical facilities as these develop.

We view the Foster Child as an entry into the family and the family as an entry into the community. We believe that community rehabilitation in the rural areas of Yogyakarta also means family rehabilitation. This approach will result in more families able to stand on their own feet economically in a shorter period of time—and enable us to help more families in a given period of time. This approach will also enable us to provide enough school space for every child in the community to attend school, adequate public health facilities in the form of safe water for drinking and bathing plus lavatories equipped with cesspools and in the economic sectors such basic requirements as simple irrigation for crops and bridge and road repair.

Clearly, PLAN programs must benefit the whole community in general, and our needy families in particular, and not just a few individuals in the community. Our help must be calculated to make people independent in the long run, not just a handout that will encourage people to make less effort towards self-improvement. Consequently, every reasonable effort is made within the limits of our program to increase gainful employment and decrease unemployment by means of practical and vocational education and training, capital for family and community enterprises and home industry. Our method is to suggest solutions to specific problems in which our program can help while the people and their leaders remain in full control.

Frank W. Ryan
Director in Yogyakarta



PROGRAMS

Preventive health program — to motivate communities to build public wells for safe drinking water, lavatories with cess-pools, and safe bathing away from polluted streams; improvement of sewers and drainage is a continuous need.

School improvement — of poorly equipped nursery and elementary schools which require desks, tables, chairs, reading material; also construction of additional classrooms.

Animal husbandry —

Applied nutrition — to produce more protein food through soy bean farming, inland fisheries, rabbit, chicken raising.

Community projects — water distribution, simple irrigation ditches, construct small bridges on secondary roads.

School feeding — school lunch feeding prepared by the children's mothers who learn about nutritious foods other than rice; sorghum preparation, use of soya and wheat, introduction of goat milk.

School, medical and dental care — plaque control to prevent tooth decay and promote oral hygiene; treatment of eye disease, innoculations and information on disease and treatment.

Other programs — continuation of family planning, after school study centers, encouraging savings, and vocational training.

PERSONNEL

23 social workers
7 community workers
3 doctors
1 dentist, part-time
7 nurses and midwives
1 laboratory technician
2 translation coordinators for outside translators
37 administrative and clerical

FUTURE PLANS

Agricultural cooperatives to buy better, market more effectively.

Establish credit unions.

Training communities in low cost health care and preventive public health measures.

Home industry training program for school drop-outs and older citizens without any vocational training.

Practical education to pioneer courses in farming and home industries in rural primary schools at 4th, 5th, and 6th grade levels.

Donor Programs

Foster Parents Plan, Inc., U.S.A.
170 Service Avenue
Warwick, Rhode Island 02886
Telephone: (401) 738-5600
Solomon Hoberman, Chairman
United States Board of Directors

Keith R. Turner
National Director, United States

Foster Parents Plan of Canada
153 St. Clair Avenue West,
Toronto, Ontario M4V 1P8
Telephone: (416) 920-1654
George H. Lochead, Q.C., Chairman
Canadian Board of Directors

E. Munro Ashkanase,
National Director, Canada

Foster Parents Plan of Australia
36 Park Street
South Melbourne, Victoria 3205
Telephone: 699-1200
Ian Leslie, Chairman
Australian Board of Directors

John L. Coller,
National Director, Australia

International Headquarters

Foster Parents Plan International, Inc.
170 Service Avenue
Warwick, Rhode Island 02886
Telephone: (401) 738-5600
Robert C. Sorensen, Chairman
Frederic W. Thomas, Jr., Secretary
John F. Mullady, Treasurer
International Board of Directors

Gloria C. Matthews,
International Executive Director
George W. Ross, Jr.,
International Deputy Executive Director
E. Glenn Rogers,
International Director of Field Services
Robert M. Bergeron
International Controller

Service Programs

Don D. Roose, Director in Bolivia
David Youmans, Director in Brazil
Albrecht F. Hering, Director in Colombia
Charles Winkler, Assistant Director
Asbjorn Osland, Assistant Director
Richard M. Cabrera, Director in Ecuador
Marietta G. Vafea, Director in Greece
Louis-Philippe Pelletier, Director in Haiti
Frank W. Ryan, Director in Indonesia (Yogyakarta)
John R. Langford, Director in Indonesia (Bali)
John G. Anderson, Director in the Republic of Korea
David E. McNeely, Jr., Director in Peru
Robert W. Sage, Director in the Philippines
Frank Campbell, Director in Vietnam
Joseph Siwy, Assistant Director

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PLAN...a living legacy

The people of PLAN believe that every child born of woman inherits the right to aspire to all the good things this earth can give. Hope is the human inheritance, hope is the legacy passed from generation to generation. Hope for a better, brighter tomorrow stimulates man's activities, sustains his spirit.

Hope is the real stuff of PLAN's work around the world. However impressive the programs described in this report may seem, they are finite, limited by the means available to mount them, dwarfed by the need that surrounds them. But PLAN programs, aiding the individual, the family, the community, the country, sow the seeds of hope. And to see hope take root and begin to grow in the soul of a single child is to glimpse the infinite.

Plan is proud and grateful to be a part of this living legacy of hope, proud of our dedicated workers, grateful to our thoughtful and generous Foster Parents who make the work possible.

...a legacy for PLAN

We would like to thank publicly the growing number of PLAN supporters who have set up bequests in their wills to help assure that this important work is perpetuated. If you would like to consider a bequest to PLAN, consult your attorney or write us for information on how to go about it.

PLAN operates in Bolivia, Brazil, Colombia, Ecuador, Peru, Haiti, Indonesia, Republic of Korea, the Philippines, and Viet Nam. PLAN is registered with the U.S. State Department Advisory Committee on Voluntary Foreign Aid. Contributions are tax deductible.

Foster Parents Plan, Inc.

Box 400, Warwick, Rhode Island 02886

I want to be a Foster Parent of a boy ☐ girl ☐ age ____
country ____ Where the need is greatest ☐
I enclose my first payment of $16.00 Monthly ☐ $48.00 Quarterly ☐
$96.00 Semi-Annually ☐ $192.00 Annually ☐
I can't become a Foster Parent right now. However, I enclose my contribution of
$____ Please send me more information ☐ Tel. No. ____

Name ____

Address ____

City ____ State ____ Zip ____

AR740

STATEMENT OF VERENT J. MILLS, EXECUTIVE DIRECTOR, CHRISTIAN CHILDREN'S FUND, INC.

Mr. MILLS. Thank you very much.

Senator MONDALE. We will place your full statement in the record at the conclusion of your testimony and you can summarize.

Mr. MILLS. Thank you very much, sir.

First of all, I would like to express our deep appreciation for the objective work of the GAO. We welcome their audit. It has been constructive and helpful to us, and I might say that before the auditors went into the field, we as an organization, especially the executive staff, over the last few years have realized some of these weaknesses and we have been formulating new policies on controls. I specifically asked the auditors to go to Kenya and to South America and Greece where we have not had offices in these areas. The reason for this is that since I came into the administration we have realized that we should have such controls.

I might say as far as the work of the organization is concerned and from the report of the GAO, I would just emphasize that they found no criticism with the operation of the head office at Richmond.

Also on their report on page 7 they say that generally controls over expenses of the field offices located overseas were adequate. They highlight the fact of the affiliated projects and that there is a weakness there. We recognize that and we thank them for the observations that they have made.

We have taken steps to prevent anything like this from happening again.

The problem is the fiscal control over the affiliates. Heretofore we have only requested a copy of their annual statement in which it states the total amount of funds they have received from Christian Children's Fund for the year, and our independent auditors would verify that amount by writing to the bank which controls the account of the affiliate to have their confirmation of it. However, they have pointed out, and rightly so, that we need to have closer financial inspection. After they came back with their report, we got all of the executive staff together and reviewed our controls and processes for handling the inspections. We have now revised our controls and we are implementing them.

In fact, I've sent three of our executives overseas. Two are still in the field and the third one has just returned, my colleague here, Mr. Edward Hurley, who is the director of field supervision.

I would say the various weaknesses that have been pointed out this morning regarding the designated gifts to the children, that we have gone into every instance that the GAO report gave us thoroughly. We find that none of the funds have been misspent or put into anyone's pocket. It has all gone to the children concerned, especially those in Kenya.

I would like to mention the one instance where GAO said that the project had not paid the allocations to the children for a period of 7 months. The reason for it was that their accountant had just run off on them and they were left without anyone to do the accounting. Consequently they held up the fund until they could find a new accountant.

Since that time as of the end of April, all of the funds had been paid to the children as so designated.

Senator **Mondale**. Have you checked the other projects not covered by GAO?

Mr. **Mills**. Yes, we have, Mr. Chairman.

Senator **Mondale**. All of them?

Mr. **Mills**. I would not say all of them, to date, but our field staff are in the process of doing this now. And with the exception of Kenya and Argentina, all our financial reports were back in the office and were audited as of the first of July of this year.

Senator **Mondale**. Now let us just go to a couple of these examples and you can tell us what you found.

Mr. **Mills**. Yes.

Senator **Mondale**. Let us take the Hong Kong one. The GAO found that CCF contributors were supporting 118 children at a Hong Kong school. But when they went over there those children were no longer enrolled. I forget how long those conditions existed. What did your auditors find to be the case in that instance?

Mr. **Mills**. What they found, sir, is that the report, is true. Altogether in that school there were 1,928 children. 118 had not returned for the new term. The superintendent of the school had not reported this to our office or to the caseworker who was responsible for these children.

Senator **Mondale**. What happened to the money that American donors sent those children?

Mr. **Mills**. Those funds have been refunded and the school itself has not spent those funds. We have transferred the sponsors of those 118 children to other sponsors, and since then because of this problem we have disaffiliated the school.

Senator **Mondale**. In other words, the money was coming to the school for 118 children from American donors who had in effect adopted the child, had been corresponding with the children, and even after the children were gone, that money was still coming. For how long a period did that situation last?

Mr. **Mills**. It was nearly 6 months, sir.

Senator **Mondale**. Six months. How did you happen to hear about this situation?

Mr. **Mills**. Through the GAO reports.

Senator **Mondale**. If you had not heard from the GAO, how would this matter have come to your attention?

Mr. **Mills**. It would have been within the next 6 weeks when the biannual examination by the caseworkers and the head social worker of our office would have taken it up.

Senator **Mondale**. Did you find that that money had been spent by the Hong Kong school?

Mr. **Mills**. Yes. They had used it for school purposes, but they did refund it to us.

Senator **Mondale**. Did the sponsors receive letters from the children during this 6-month period?

Mr. **Mills**. To my knowledge they did not, sir.

Senator **Mondale**. What about this matter of special gifts which I guess is usually a Christmas gift, in the matter of the Kenya case.

one project they found only 25 percent of the special gifts had been received and passed on to the designated children. That one child who had been sent $34 got a $4 gift. Did you look into that?

Mr. MILLS. Yes, we have, sir. I would like to explain that we have our rules and regulations on this. The superintendent of the project is supposed to give it to the child as soon as it is received. We send it out on a monthly basis. However, I would like to explain the thinking of the superintendent regarding this particular $35 gift. You previously commented on it, sir. The annual per capita income in Kenya today is $121 a year. A gift of $35 just overwhelms these poor families.

Senator MONDALE. I can understand that.

Mr. MILLS. It was the idea of the superintendent that she would give this gift to the family on a breakdown of several months so that they would not get it all at once and go out and squander the money. Actually the $4.28 is the equivalent of 30 Kenya shillings, which the child received. Since then our supervisor has seen to it that all the funds were delivered to the family. All the funds concerning the children in the project in Kenya have been paid as of the end of April.

Senator MONDALE. In that particular project the GAO said only 75 percent—pardon me—only 25 percent of the special gifts have actually been received at all.

Mr. MILLS. By the children, correct. The reason for that is that apparently the superintendent took it upon herself to distribute the gifts among all the rest of the children in the project. But all funds have been accounted for, sir.

Senator MONDALE. All right. It seems to me that running through this and some other matters is the apparent fact that one of the best ways to raise money from American donors is on a person-to-person basis. If an American family feels that it can help a child, can become friends through mail, if nothing else, with that child, and give a modest amount on a routine periodic basis, that that is a very powerful attraction for donations. People really like that relationship. It is appealing. But that many of the institutions that receive those funds in fact believe that they can do a better job for all the children within their institution if they take an individual contribution and spread it, like the child who gets a $34 Christmas present, it would probably ruin Christmas for every child in the school, so they spread it, which may have made sense over there.

What about the donors? Does there not have to be some explanation given to donors that we need to—not just a 1 to 1 relationship, it is an institutionalized relation. Is that fair?

Mr. MILLS. Mr. Chairman, I would say that we do notify our sponsors that as far as the subsidy to the project is concerned we are remitting at present 82 cents out of every dollar that the sponsor sends into the Christian Children's Fund to the project for the support of the children and their care. Now it is possible that during that month there were two or three children without a sponsor. The project would take all the funds they received and would spread it over all the children. In other words, the three children that are not sponsored would also receive help from the project.

Senator MONDALE. Now you include reference to registration, U.S. Government Advisory Committee, voluntary foreign aid, in your ad-

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vertisement. But you do not receive any aid, Public Law 480, excess property, or other assistance from the Federal Government.

Mr. MILLS. We do not.

Senator MONDALE. So under the law you need not register?

Mr. MILLS. Under the law I would say we need not register. But originally, sir, we were given to understand that all American voluntary agencies who were administering relief overseas should be registered with U.S. AID, and that was the reason Christian Children's Fund registered. I must say that we have not used it as the term has been used as a "Good Housekeeping" seal of approval. We have wanted the supervision and guidance of the Committee. I must say that in many of our meetings with our staff and other agencies together we have requested AID to send some of their personnel to our meetings in order to help us with some of our problems, and they have done this in the past. They have been helpful to us, but as far as putting it on our advertisements, sir, it would not mean anything to us if we would delete it from our advertisements.

Senator MONDALE. Are you sure of that?

Mr. MILLS. I would think so. I would say we are primarily interested, sir, in seeing that the consumer is protected and that they know that the funds that they are sending to Christian Children's Fund are used properly and to the best——

Senator MONDALE. I'm not arguing that. I'm sure of that. But I think there are many Americans that look at that U.S. AID name and they say, "This protects us." In fact, they do not have the staff to do so. In that sense it is a little misleading.

I appreciate it as being widely done and you did register, so there's nothing false about it, and others do it. But there is an implication there had been public protection which does not exist that I think has to be faced up to. Would you object to that?

Mr. MILLS. No. I certainly would not, sir. I agree with your views in the matter.

Senator MONDALE. In your case, your charity has risen dramatically in public support. In 1967 you took in $6 million. In 1973, $24 million. So it has been one of the most rapidly growing charities in the country, is that not true?

Mr. MILLS. That is true, sir.

Senator MONDALE. Might it be the case that as you have grown so rapidly, some of your management and control techniques have fallen somewhat behind?

Mr. MILLS. That is correct.

Senator MONDALE. Now, you are trying to update them to make certain this money——

Mr. MILLS. Actually what we are doing is expanding our controls. The term I used with my staff some 2 years ago when we started to study this was that we would bring our operations in the field into manageable confines. This is why we have appreciated the GAO audit at this time; it has been most helpful to us.

Senator MONDALE. Now, as far as Foster Parents Plan, it says you have an ad showing the eyes of Remedios, who is described as a 5-year-old boy, but who was actually a girl, 12 years old, and supported by regular donations made by a couple in Ohio.

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Ms. MATTHEWS. That is true. Would you like for me to respond?

Senator MONDALE. Yes.

Ms. MATTHEWS. Mr. Matthews called me. He too had seen a copy of the GAO report and a copy of another article that had appeared in the Washington Post last week. He asked what our policies were in terms of our ads, most specifically in connection with the Remedios ad. I told him what our policy had been, that as he recognized—if he had a GAO report that our fundraising costs were pretty low and that we did do testing. That when we had an effective ad, we did use it in order to obtain sponsors. He wanted to know whether Remedios was a particular child in the organization. I said yes, very definitely. Because this has been our policy. We use our own children who are in our plan. I checked our file and did find that Remedios was indeed in the plan. I explained earlier that this particular child had been in since 1967. The child was 5 years old.

We never identify the child by the country. There is a confidentiality of the child to begin with. Occasionally our publicity people change the sex, which is what was done in the case of Remedios. But this child was still in the organization.

Senator MONDALE. The boys get more money than girls?

Ms. MATTHEWS. I do not know. But in any case, this is what happens again——

Senator MONDALE. There is a vote going on on the floor and I'm going to have to leave.

Ms. MATTHEWS. I want to make the point. We can create new ads. Every month, every year, we get hundreds and hundreds of case histories, but for a voluntary agency watching its funds, the money that it uses for fundraising, the cost to prepare new ads is astronomical.

Senator MONDALE. I'm sorry if I do not run right now I am going to miss the vote.

[The prepared statement of Mr. Mills and supplement along with additional material supplied for the record follow:]

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STATEMENT OF
VERENT J. MILLS, EXECUTIVE DIRECTOR
CHRISTIAN CHILDREN'S FUND, INC.
BEFORE THE
SUBCOMMITTEE ON CHILDREN AND YOUTH
OF THE
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
ON THE
UNITED STATES VOLUNTARY FOREIGN AID PROGRAM

Mr. Chairman and members of the Subcommittee:

Thank you for giving Christian Children's Fund this opportunity to testify. I shall divide my brief comments into three sections:

An introductory statement about Christian Children's Fund,

Response to certain parts of the GAO Report affecting Christian Children's Fund, and

Response to some of the conclusions drawn by the GAO Report.

INTRODUCTORY STATEMENT

Christian Children's Fund, Inc., is an international, non-sectarian, non-profit child care organization, chartered in the Commonwealth of Virginia.

Founded in 1938, the organization has grown steadily, and today serves approximately 192,000 children, with an income of approximately $28,000,000 for fiscal year ended June 30, 1974.

CCF is not an emergency assistance organization, but rather emphasizes continuing care through a structured child welfare program.

We function as a catalyst, helping to bring together available resources to benefit the child, his family, and his total community.

These resources can include child care, food, shelter, education, psychological guidance, health care, family services, and if necessary, a substitute family, depending on the specific program involved.

Our services are mainly supplemental, working in cooperation with other agencies serving children, including governmental, national and international voluntary agencies, and local sectarian and non-sectarian agencies promoting community development through self help.

Financial resources come mainly from individuals who sponsor a child, and from this two-way awareness and friendship, both sponsor and child grow in international understanding.

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Our present services fall under four general classifications:

1. Aid to homeless children.
2. Aid to disadvantaged children living with their parents to keep the family unit intact.
3. Assistance to disadvantaged children attending elementary or secondary schools.
4. Aid to preschool children of low income families through assistance to day care centers.

Our Current Program Emphasizes:

1. Assistance through programs designed to prevent the need for placement in an institution.
2. In child care facilities, to provide the most natural family atmosphere possible while working toward rehabilitation of the child's own family.
3. Providing in-service training programs to develop nationals into qualified child care workers.
4. Cooperating with local governments in raising the quality of child care services.
5. Working toward turning the operation of CCF programs over to qualified national leadership. Examples include Korea, Taiwan, Hong Kong, India and Brazil, where the Field Supervisor is a national trained by CCF and receiving direction from the Richmond office.

Our CCF program in Japan will end in December of this year and a national organization, in cooperation with CCF, is in the process of developing an autonomous child assistance program, channeling financial assistance from Japanese donors to needy children in Southeast Asia.

II. Response to certain parts of the GAO Report affecting Christian Children's Fund

First of all, let me express appreciation for the objective work of the GAO. We welcomed their audit and we are pleased to note that CCF and other organizations were considered by GAO to have applied resources to worthwhile purposes, and in the public interest. This is particularly important to CCF because we consider our resources a public trust.

GAO pointed up certain management weaknesses in the various organizational structures, and we note that GAO has indicated that the agencies involved are already either taking corrective action, or studying the problems to determine appropriate solutions. This is true in the case of CCF, and our executives are in the field right now, for an annual review, assisted by the findings of the GAO Report.

Second, I want you to know that CCF did not receive any U.S. government funds in the past fiscal year.

Third, CCF voluntarily registered with USAID because we understood that all voluntary agencies operating overseas must be registered, and we wished to be related to a U.S. government agency who could advise us and coordinate our activities with other voluntary agencies. CCF meets all the criteria set forth in the prepared testimony of the GAO.

Fourth, we note that GAO determined that USAID had no way to know if the voluntary agencies' activities were consistent with their objectives. However, in the course of our operations overseas, CCF has been commended by many foreign governments for our services to their children, and assistance in developing their child care programs, indicating that CCF has maintained a close relationship with many governments where national interests parallel U.S. objectives. Samples of such commendations are attached.

We register with the government of each host country where registration is required, and we actively pursue cooperation with national and international agencies, both public and private, engaged in relief or child care development.

Fifth, GAO reports that the voluntary agencies do not submit enough information to the USAID to insure that registration requirements are met.

CCF has provided USAID with all requested material, plus we have opened our books to their personnel and they have come to our headquarters in Richmond, Va. to study our operation. We have invited USAID personnel to attend certain staff meetings, and on a number of occasions, they have accepted.

We are prepared to provide whatever other CCF documentation is necessary to assist USAID in the accomplishment of their objectives.

Sixth, we notice that GAO indicates that some agencies do not identify income and relationships to other organizations.

CCF does identify all income and expenditures. These items are summarized in an annual audit report which is available to the public.

Now, let me quickly review a few of the specific steps we have taken because of our concern for the welfare of the children and proper financial reporting, some of which are in response to the GAO Report.

-- At our request, we have received an evaluation of our present accounting system and annual report from Peat, Marwick, Mitchell and Co., an international accounting firm. This evaluation was made to insure that our reports accurately reflect our financial activities and meet with the latest accounting and reporting standards as established by the AICPA and National Social Welfare Assembly. We are presently in the process of implementing many of their suggestions.

-- At our request, an objective survey of our child welfare program and methods has been completed by Mr. Hailuoto, Executive Director, Central Union for Child Welfare in Finland, also Vice President of the International Union of Child Welfare, Geneva. Upon receipt of his report we will be able to implement further program improvements.

-- We are internally reviewing all CCF policies dealing with administrative and program services overseas, to be sure they are clear, updated and complied with, such as; 1) in cooperation with affiliates we are developing appropriate criteria for determining children to be assisted by CCF, and 2) enforcing our requirement that field offices conduct periodic on-site audits of projects, including accounting for designated funds.

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-- We are developing a plan for the gradual withdrawal from areas where efficient controls have been difficult to implement. Particular consideration is being given to programs that are geographically distant from our field offices such as, Greece, Italy, South Africa, Peru and Honduras.

-- We are now instituting a more complete reporting system, including finance, administration and program services for affiliated agencies receiving CCF assistance. This is a matter of top priority for us.

-- We are also providing a more comprehensive description of our welfare program and financial activities to our donors, explaining that their assistance along with that of other sponsors aiding that project, is used to supplement the services to all children in that project whether sponsored or not.

III. Now let me comment on some of the conclusions in the GAO statement prepared for this hearing.

First, we are glad to note that GAO recommends more comprehensive auditing procedures of affiliated agencies in the field, and our staff is in the process of implementing new procedures as previously stated.

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Second, we would be delighted to respond to any uniform data base which might be established by the Advisory Committee. We support the need for uniform criteria for accounting and reporting to the public, and we believe full disclosure is in the public interest.

Third, we do not view registration with USAID as a "Good Housekeeping seal of approval," and we would be agreeable to deleting all references to registration from our ads. Advertising our registration with USAID is not vital to CCF, and was not the motive for registration. We are more interested in assuring the public that their funds are being distributed in a responsible manner.

Fourth, if agencies like CCF are to be registered by USAID, then we thoroughly agree with the GAO Report:

-- that satisfactory management controls must exist to protect the public interest.

-- that follow-up reviews are necessary to assure continued compliance with registration requirements.

-- that there should be a uniform financial reporting standard.

-- that meaningful guidelines should be established for reporting administrative, fund raising and program costs.

And we recognize that developing meaningful administrative and financial controls over our affiliates overseas is a problem. While we have begun implementation of new procedures, we would welcome further guidance in this area.

Let me conclude by reporting that the CCF Board of Directors has instructed management to assist your Committee in any way it deems appropriate in developing recommendations for legislation or regulation to protect the public interest, and insure that the children we serve receive maximum benefit from the donor's contribution.

中華民國內政部
MINISTRY OF INTERIOR
REPUBLIC OF CHINA
TAIWAN, CHINA

Dr. Verent J. Mills
Christian Children's Fund, Inc.
P. O. Box 26511
Richmond, Virginia 23261
U. S. A.

June 7, 1974

Dear Dr. Mills:

It was a great pleasure to meet a few days ago with two of your CCF representatives, Dr. C. G. Chakerian and Rev. T. Chen, to discuss the ways of promoting and improving the child welfare program of the Republic of China. There were also present, at my invitation, officials in child welfare of the Central, Provincial and Taipei City governments. In the meeting, we all recognized the fact that on the one hand, the economic development of the Republic of China in recent years is a great achievement, but on the other hand, the social welfare development, especially in child welfare is still behind the expected goals. Our government has been extremely grateful to Christian Children's Fund for its outstanding services to the children of this country in the past.

I was told that Dr. Chakerian's present mission to this island is to evaluate the CCF program in Taiwan and at the same time assist government offices informally. Incidentally, our Child Welfare Law has just been promulgated and we are in urgent need of an international child welfare expert like Dr. Chakerian to help us in carrying our program. We, therefore, would like to invite Dr. Chakerian to serve as advisor of the Social Affairs Department of the Ministry of Interior, his services to be made available by CCF. The Ministry will provide office space and part time secretarian assistance. This arrangement will permit us to consult with him freely and at the same time make him available to advise your CCF Field Office in Taiwan, R. O. C. I sincerely hope that you will favor us with such an agreement. With Dr. Chakerian's guidance and CCF's cooperation, we will be able to move ahead in the development of our child welfare programs.

Best Wishes.

Sincerely yours,

Yung-Shih Huang
Director,
Social Affairs Department

cc: Dr. C. G. Chakerian
Rev. Timothy Chen

MINISTRY OF HEALTH & SOCIAL AFFAIRS
REPUBLIC OF KOREA
SEOUL, KOREA

REF No: KUKJE 1402

20 July 1973

Dear Dr. Mills:

I wish to thank you for your efforts toward the improvement of the child welfare in Korea and would like to refer to the valuable services of Dr. Charles G. Chakerian, Consultant, Christian Children's Fund, Inc. in Korea.

With his thorough knowledge in the field of social welfare including child welfare, Dr. Chakerian has provided this Ministry with very useful advices in various aspects of social welfare, particularly in the field of child welfare since 1956.
While understanding various conditions prevalent in the developing countries, he has offered most suitable suggestions and consultative services to the Ministry.

In view of the above, I hope he would continue to serve with the Christian Children's Fund in Seoul and provide us with his continued advices to this Ministry, particularly in the child welfare.

I will be looking forward to hearing from you in the near future.

Sincerely yours,

Kyung Ho Lee

Kyung Ho Lee
Minister

Dr. Verent J. Mills
Exective Director
Christian Children's Fund, Inc.
Richimond, Virginia 23283, U.S.A.

CC: Dr. Charles G. Chakerian
Consultant
Christian Children's Fund, Inc.,
Seoul

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OFFICE OF THE PRESIDENT
REPUBLIC OF KOREA

(Translation) June 2, 1971

CITATION

In recognition of and appreciation for his outstanding and meritorious service rendered to the Republic of Korea, I take great pleasure in awarding, in accordance with the powers delegated to me by the Constitution of the Republic of Korea, the

ORDER OF CIVIL MERIT
DONGBAEG MEDAL
TO
MR. VERENT J. R. MILLS
UNITED STATES OF AMERICA

Serving as the Overseas Director of the Christian Children Fund Inc. since 1951, he has shown not only decisive role in establishing it's field office in Seoul, but also devoted himself in the successful implementation and in broadening various activities for the child welfare programmes in the Republic of Korea for the past twenty years.

His distinguished performance of duty has earned him the respect and admiration of the Korean people.

OFFICE OF THE PRESIDENT
REPUBLIC OF KOREA

(Translation) May 5, 1965

CITATION

In recognition and appreciation of his outstanding contribution to the cause of human welfare and international understanding, I take great pleasure, in accordance with the powers delegated to me by the Constitution of the Republic of Korea, in awarding

THE ORDER OF CULTURAL MERIT NATIONAL MEDAL
TO
REV. VERENT JOHN RUSSELL MILLS
UNITED STATES OF AMERICA

Rev. Mills, as one of the key member of the Christian Children's Fund, Inc., during the period from 1947 to the present date, devoted himself unsparingly to the enhancement of the social welfare of this country in the spirit of christianity and fraternity.

Deeply moved by the plight of our war orphans who were innocent victims of the Korean conflict, Rev. Mills has worked tirelessly to bring them comfort and happiness by providing material and spiritual assistance, medical care as well as vocational training to them.

His high ideals for mankind and unceasing activities in assisting our country in religious, cultural and social welfare services has earned our deep appreciation and reflects great credit upon himself and the United States of America.

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CHRISTIAN CHILDREN'S FUND, INC.
Richmond, Virginia 23261 · Phone (804) 644-4654 · Cable. Childfund

Assisting children around the world

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Consultant

Field Office Supervisors

Area Coordinator—India & Thailand, Fram Jehangir

Argentina, Mrs. Lenore Powell
Brazil, George C. Doepp
Guatemala, Miss Olga A. Gonzales
Hong Kong, Mrs. Beatrice Chu
India, C. S. Gojer
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Registered (VFA-009) with the U.S. Government's Committee on Voluntary Foreign Aid

Member:
International Union for Child Welfare

October 17, 1974

The Honorable Walter F. Mondale, Chairman
Subcommittee on Children and Youth
Senate Committee on Labor and Public Welfare
United States Senate
Washington, D. C.

My dear Senator Mondale:

At the Subcommittee hearing on the United States Voluntary Foreign Aid Program on October 10, 1974, you raised several questions about the operations and activities of the Christian Children's Fund. Since some of the questions you raised were not answered in my prepared testimony previously filed with the Subcommittee, I was in the process of responding to them when the hearing was adjourned so that you could attend a roll call vote on the floor of the Senate.

I accordingly requested permission of the Subcommittee Staff to file a supplemental statement on behalf of the Christian Children's Fund, responding in more detail to the questions you had asked about the Fund. The Staff said that it would be quite permissible to file such a supplemental statement if done within ten days and that the statement would be included as a part of the written record of the hearings.

Consequently, I enclose ten copies of a supplemental statement with the request that it and this covering letter be included as a part of the written record of the hearing on the United States Voluntary Foreign Aid Program.

Yours respectfully,

Verent J. Mills
Executive Director

VJM:cms

Enclosure

SUPPLEMENTAL STATEMENT
OF
VERENT J. MILLS, EXECUTIVE DIRECTOR
CHRISTIAN CHILDREN'S FUND, INC.
BEFORE THE
SUBCOMMITTEE ON CHILDREN AND YOUTH
OF THE
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
ON THE
UNITED STATES VOLUNTARY FOREIGN AID PROGRAM

Mr. Chairman and members of the Subcommittee:

In amplification of my previously filed testimony and the questions raised by the Subcommittee stemming from the GAO report, it was stated in the GAO report that "one agency had not developed guidelines for use by the affiliated projects in accounting for the agency's contributed funds and, therefore, the agency had no assurance or knowledge as to if and how the funds were used." The agency was identified as CCF. It is true that

CCF had not developed guidelines for affiliated projects to use in reporting on the use of CCF grants. However, it is not true that we have no knowledge as to if and how the funds were used. CCF requires each field office to visit every affiliated project yearly for a review of their program, children assisted by CCF, and finances. These visitations are specifically conducted to insure that the children are receiving the maximum benefit from CCF's aid. The accounting records of the projects themselves are used during these evaluations. In instances where the accounting records are inadequate we require more complete documentation. CCF has recently developed a new guide to assist field personnel in the accomplishment of a more comprehensive program audit. One of the items covered in this document deals with the minimum financial accounting system which will be required of each project. This is attached for your records.

The Committee raised the question about dual sponsorships. Dual sponsorship is permitted under some circumstances and the CCF sponsor is so notified. We attach a copy of our statement on dual sponsorship.

A question was raised concerning the standards for determining a child's eligibility for assistance. Affiliated projects by their very nature have identified groups which they can serve most appropriately, e.g., homes for blind, handicapped, mentally retarded, day care centers, babies' homes, etc. A school program, for instance, is not structured to assist pre-school children. The nature of the program capabilities, therefore, must to an extent determine the eligibility of children for the program -- however, included within the program of CCF we endeavor to reach out to impoverished groups and to encourage local programs on ways of including those who are otherwise left out of educational and social service opportunities.

During the current fiscal year we have asked all field offices to work with each affiliated project under its jurisdiction to formally identify the specific criteria applicable for that project which will be used to select each child submitted for CCF assistance.

Prior to responding to the specific questions concerning designated funds, we feel it is important to state our policy on child assistance within a project. Although we do link sponsorship to a particular child, we attempt to enlist the sponsor's interest in the family and community of the child and in the total CCF program. Sponsors have been advised of this as shown in the attached informational brochure sent to every sponsor. A copy of a sample project description is also attached for your information. Each new sponsor receives this information when sponsoring a child.

We were asked specifically to respond to a statement that a $34 designated gift was sent to a child, and, "the child received $4.28, and the project retained the balance." The implication of this statement is that the project was retaining the balance for its own purposes. We found that the funds were being held for payment over a period of time rather than in a lump sum. Since the average annual per capita income in Kenya is $121.00 it was felt that to pay the full $34 at one time might be detrimental to the child. This designated gift has been delivered to the child. It should be mentioned this is in keeping with CCF's policy, which allows designated gifts to be paid out over a period of time, or, in fact, placed in savings for the child when it is felt that this is in the child's best interest. In every instance, however, CCF requires the project to notify the sponsor.

A further question raised by the Committee dealt with a project where only 48% of all CCF funds received for the period of February, 1973 through February, 1974 had been passed to the children. This statement is accurate; however, we would like to report that all of the money was used for the children by the end of April, 1974. The initial delays were caused by accounting and administrative difficulties within the project.

It is true that some affiliated projects do not always follow CCF procedures. However, where it is clear that the children are receiving the benefits envisioned by the program we endeavor to secure compliance with CCF procedures through direct communication and follow up.

We think the GAO clearly identified one of the problems faced by affiliated projects concerning our policy on designated gifts. We share their concern that some of the children receive special gifts while others do not receive them. We have, in fact, agreed to the accumulation of specific amounts from non-designated funds to provide presents for children who do not receive gifts. Large designated gifts have been a cause of concern for many of our projects. Therefore, we have developed a specific policy for the handling of designated gifts in excess of $20.00. Where the purpose of a designated gift in excess of $20.00 is deemed inadvisable the sponsor is offered an alternative use, or the return of the funds.

The GAO mentioned the lack of inspection reports on Kenya, Philippines, and Mexico. Visitations are an on-going activity and at any specific time there will be projects where the visitation reports are more current than others. The following excerpts are from our field office supervisors in response to the GAO comment:

Hong Kong: "Inspection visits: These were made monthly -- 3 schools each month from 1972 to 1973. From January, 1974, we brought our inspection to 4 a month making weekly visits to check on children and gifts." There are 21 projects in Hong Kong.

Philippines: "We have visited every project at least once during the fiscal year and several of the projects more than once."

Mexico: "Every project under this field office has been visited at least once."

As has been clearly pointed out in both the GAO report and the report of USAID to your Committee, a balance must be reached between the allocation of resources for administrative controls and direct aid to the children. What the proper balance might be is difficult to determine. It depends upon many factors and varies by area, program size, growth or decline of activity, etc. CCF is committed to the protection of the

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children we assist and the donors who provide the means for this assistance. We are actively investigating various ways and means by which this balance might be obtained and actions already taken have been previously reported in my written testimony.

We do think the GAO's identification of difficulties in project visitation is particularly true in areas where our projects are geographically distant from our field offices. CCF is in the process of initiating a gradual phase-down in areas where controls have been difficult to implement. Since our primary concern is to insure that the needy children continue to receive aid, we have scheduled our withdrawal over a two-year period and during this interim are actively working to identify other sources of assistance for these projects.

In summary, we would again like to express our appreciation for the GAO visit. We feel that their findings will allow us to improve our service to the children and donors as expressed in pages 7 - 10 of my testimony.

TO: All Field Supervisors

FROM: E. T. Hurley

DATE: July 12, 1974

SUBJECT: Program

During the last two years, you will have gathered from Head Office correspondence our concern for the welfare programs in both owned and affiliated projects. Since we are in direct control of owned projects, we think that existing methods of information and control in these projects is presently adequate. However, we do think that our relationship with affiliated projects can be enhanced by a more precise system of data development. Therefore, over the past few months we at the Head Office have been working on a systematic and comprehensive program for developing important project data. It is imperative to stress that the intent of this effort is to help our affiliated projects in providing the maximum assistance to children in their care. As such, the program must be implemented and carried out in such a manner that you gain the projects' cooperation and support - definitely not in a fault-finding or critical fashion, as we are not out to criticize, but to help! We anticipate that the program will also provide the projects with an opportunity for suggesting how our offices can be more supportive. In other words, the visitation will provide a "two way" communication and will help us to help the projects to carry out their program as efficiently as possible with basic operational and welfare standards and in this manner the children will derive added benefits.

I am requesting that each office carefully study the attached visitation reporting procedure, affiliation agreement and minimum financial and reporting requirements. If possible, a trial visit might be conducted with "test" projects in order to obtain their views and suggestions. Each field office will be visited either by Miss Manning, Mr. Shorter, Mr. Herrell, or myself during the next six months to discuss the program, and any problems or improvements which might be incorporated.

Specific areas where the new program expands upon existing practices include:

1. The evaluation form and instructions now apply to all affiliated projects, not just "Homes".

2. The evaluation is to be comprehensive, not just "welfare", or "financial", or otherwise specialized.

3. The yearly evaluation will be linked to the letter of agreement which will be annually re-negotiated.

4. We are requesting projects to develop eligibility criteria for the children presented for CCF sponsorship.

5. We are now requiring projects to submit budgets.

6. We now require minimal financial records.

7. Visits should be conducted with the project's prior knowledge of our coming.

Each of these areas is covered within the attachments. All are designed to provide the maximum CCF assistance to the projects. Items which are answered in the negative should provide the beginning point from which we develop a positive base for helping the projects. Simultaneously, we will be identifying our own ability to help, or areas where we need to strengthen these abilities.

Remember, we all have the same objective - assisting needy children, their families, and the community. We need to support, assist, cooperate, and sell our program in a positive and constructive manner, remembering the primary objective of all our efforts - the children.

Ed Hurley

E. T. H.

ETH:bf

Enclosures

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AFFILIATION AGREEMENT BETWEEN THE ______________ FIELD OFFICE OF
CHRISTIAN CHILDREN'S FUND, INC., AND ____________________________

Christian Children's Fund, Inc. (hereafter called CCF), and ____________________ (hereafter called the Project), agree to the following:

THE PROJECT AGREES TO:

1. Operate a licensed, registered, or otherwise officially recognized child care program with a maximum of ________ children.
2. Submit to CCF for agreement, the criteria to be used in determining eligibility for CCF assistance.
3. Furnish certain specified information (on forms provided by CCF) on all children eligible for CCF support and three copies of a photograph of each child presented for CCF support.
4. Assume responsibility for children in the Project supported by CCF to respond through the field office within a period of 14 days after receipt of letters, monetary gifts (sent by designated fund certificates) to specific children by sponsors.
5. Notify CCF within 14 days when a CCF supported child has left the Project and is no longer available for sponsorship and provide an eligible child as a "substitute" for the departed child when available. The substitute child must not already be on CCF records prior to substitution.
6. Conduct all contact with CCF sponsors through the CCF field office and do not establish direct relationships or communications with sponsors.
7. Provide special information requested by CCF concerning specific children's educational, health or psychological levels, and provide progress reports, seasonal letters and letters of greeting, as requested.
8. Utilize CCF support for the direct care of, or service to, the child and not for administrative expenses of the governing body of the Project.
9. Develop and utilize support sources in addition to CCF support.
10. Limit support received on a "sponsorship" basis to CCF, except as agreed in writing by CCF.
11. Comply with CCF's minimum financial and reporting requirements as outlined by CCF's field office.
12. Receive and cooperate with CCF Representatives who visit the Project to verify the presence of children supported by CCF, the benefits they are receiving, and the accomplishment of program objectives.

13. Open all financial records of the Project to CCF staff whenever requested, provide an annual Project budget, and within six months of the close of the fiscal year provide a copy of the Project's annual financial statement (income, expense and balance sheet) prepared by a licensed accounting firm or accountant, or if such is not available, by an audit committee of the Project's governing board.

14. Give to children receiving designated fund certificates the full value of the certificate, except when the amount or designated use might have adverse psychological effects on the child. In such cases, the field office must be notified of the situation and the sponsor offered a substitute use or return of their funds.

15. Participate in CCF conferences, workshops or seminars conducted for the purpose of training and enrichment.

16. Provide translation services for correspondence between sponsor and child. (This provision may be removed and placed inthe following section, depending on the circumstances).

17. Develop with the assistance of CCF a supportive and constructive relationship for the child with the sponsor.

CCF AGREES TO:

1. Support the Project through a monthly remittance made on the first of each month, based on the number of children assigned.

2. Remit once a month the full amount of designated gift certificates received from sponsors and intended to be used in the near future.

3. Inform the Project of changes in the status of the assignment of the child to a sponsor.

4. Respect the child's and family's right to confidentiality in matters of personal concern shared with caseworkers or other Project staff.

5. Assist the Project in establishing basic accounting and other administrative systems as well as support in child and family service programs.

6. Provide sponsors for all children presented for CCF support, who meet agreed upon eligibility requirements, as soon as possible.

7. Help to organize and/or promote, in countries where field offices are located, periodic conferences, workshops or seminars open to Project personnel for the purpose of staff training and enrichment.

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8. Provide translation services for correspondence between children and their sponsors. (This provision may be removed and placed in the preceding section, depending on the circumstances, and/or may include provision for reimbursement by the Project to the field office for translation services arranged by the field office).

THE PROJECT AND CCF AGREE THAT:

1. The specific objectives listed on the back of this letter are set for accomplishment within the Project within the time covered by this Agreement (or earlier, if so specified).
2. This Agreement expires three months after the next annual evaluation visit by CCF.
3. Prior to the expiration of this Agreement, representatives of CCF and the Project will review the accomplishment of the specific objectives outlined and on that basis, and considering the effect of CCF's assistance, determine whether the Affiliation Agreement should be renewed for another term and, if so, the new objectives to be accomplished.
4. If either CCF or the Project establishes that any of the articles of this Agreement have been contravened, the relationship between CCF and the Project is subject to termination.

For the Project's Governing Body	For the Project
Date	For Christian Children's Fund, Inc.

EVALUATION OF AFFILIATED PROJECTS

(Manual for Evaluator)

June 1, 1974

EVALUATION OF AFFILIATED PROJECTS

A. PURPOSES OF EVALUATION

Each project affiliated with CCF must be evaluated periodically as to the need and effect of our assistance. This is essential, first of all, because our association with these projects puts us in a unique position to help them improve their program standards. Secondly, we have to be sure the funds contributed by sponsors are achieving the maximum possible good in terms of child welfare. Any misuse or inadequate use of sponsors' support must be detected and corrected.

All affiliated projects are to be evaluated, not just "Homes." This evaluation is to be comprehensive, not specialized, and must cover all aspects of the project, such as finances, sponsor relations, program and administration.

This evaluation form, and the evaluative process which it presupposes, are experimental in nature. They will undoubtedly be refined and perhaps eventually undergo thorough redesigning as a result of an accumulation of experience the field offices develop by testing and using them.

B. HOW WILL THE EVALUATION BE CARRIED OUT?

Field office staff are to carry out the evaluation at the projects. The evaluation is to be monitored at the field office, with additional monitoring and spot-checking by the international office. Responsibility to take decisive actions upon the evaluation results--and to use them as a tool for planning, program improvements, and project supervision--rests entirely with the field office. Comments from the Richmond office on the reports will be occasional and advisory for the most part. Send the Richmond office only one copy of each evaluation report Address it to: Internal Auditor. The auditor, in turn, will see that these reports are shared with the Division of Field Supervision and the Division of Child and Family Services

The direction of all CCF activity in the field is to be carried out by the field supervisors. If our program is to accomplish its intended purpose, each field supervisor must be satisfied through his or her own active participation that these evaluations are conducted with thoroughness and that the reports are complete and accurate. Without this high degree of involvement on the part of the supervisors, the program can easily become ineffective, perfunctory, and a wasteful expenditure of sponsorship funds. The people actually making the inspections are likely to vary, from one field to another, and from one time to another, and may include social service personnel (including the Child Care Coordinator), accountants, the field supervisor himself, or perhaps contracted personnel in some cases. Their respective training and orientation will, of course, differ. Two points, therefore, must be made in this connection:

1) Staff teamwork and pre-evaluation briefing take on new importance;

2) After the evaluation report is made, follow-up on technical problems and issues identified may be required by the appropriate specialized personnel. We do not feel the information to be obtained is so technical or so extensive as to justify the services of more than one person. Of major importance, of course, is the evaluator's level of judgment, maturity, and tactfulness, enabling him or her to command the respect and cooperation of the superintendent and staff of the projects being evaluated.

Each affiliated project should receive the benefit of at least one CCF evaluation visit within a fiscal year.

In cases where there are reasons to suspect mismanagement or fraud, an inspection visit may be made by surprise without advance notice to the project. In general, however, it is better to visit projects by appointment. This minimizes the wasteful possibility that key project personnel might be absent, and books unavailable when the evaluator arrives. Also planned visits are far more conducive to establishing the atmosphere of cooperation that should characterize CCF's relationship with its affiliates.

In order to account for subsidized children effectively (Evaluation Report, page 1, Item I, 7) a current up-to-date list of children by project is necessary. If the field office would like the Richmond office to prepare such a list, the field supervisor should send the Internal Auditor a schedule of projects to be evaluated the next quarter. This schedule should be received by the Internal Auditor not later than the 20th of May, August, November, and February for the respective quarters July-September, October - December, January-March, and April - June. Upon receipt of the schedule the Internal Auditor will send the field supervisor a computer listing of the project's subsidized children for the month preceding the beginning of the quarter when the evaluation is scheduled to be performed. Since the computer listing prepared by the home office is not up-to-date to the month of evaluation, the field office is to make the listing current by accounting for all changes affecting subsidized children--such as SUBS and TRANSFERS.

The evaluator must be well prepared for his visit. He should have studied the accompanying form and this manual thoroughly and repeatedly, so that he practically knows "by heart" not only the topics to be covered, but the logic and rationale behind every aspect of his inquiry. He may carry the form (or preferably his own notes) in his hand for occasional reference (to make sure he is covering everything), but he should not attempt to fill out the answers to the open or subjective-type questions during the interview or while he is making observation. Occasional note taking should be sufficient. The actual evaluatory comments should be made only after he has had time to reflect on what he has seen and heard and felt in the process of the visit.

The evaluation report should not be considered complete until all of its attachments (including the budget, audit report, Letter of Agreement and possibly a revised Project Description Form) have been duly executed and assembled, and copies have been made for the files of the project and the field office. A copy of the evaluation report (without attachments) should also be sent to Richmond. This may require several weeks of follow-up by the field office staff. If more immediate attention is needed from the home office in terms of correcting financial problems or even disaffiliation, a memo to that effect plus the evaluation report should be submitted to the Internal Auditor. The arrival in Richmond of an evaluation report without a cover memo implies the field supervisor's satisfaction with the results of the evaluation and with the ability of his office to serve the project's children in keeping with CCF's overall goals and standards. In other words, receipt of such a report without the field supervisor's cover memo will indicate that affiliation should continue and that no particular attention is needed from Richmond.

C. ITEM-BY-ITEM INSTRUCTIONS FOR THE USE OF THE FORM

(NOTE: Minor variations in this form, to accommodate local style and usages, are acceptable. Each field office is expected to adapt this form to its own needs. However, the international office considers the required information to be basic and any major variation in the content should be cleared with the Internal Auditor's office.)

Numbers refer to the corresponding numbered items on the questionnaire. Items not receiving specific comment are considered self-explanatory.

Box at upper right

Check the category or categories that best describe this project. If the project combines several types of services, check all that apply but put a circle around the one (if any) which predominates. If a facility is primarily a school, although children receive residential care, check "Boarding school." However, if the children do not go home for vacation because they have no families to return to, you would also check "Residential child care." Some facilities provide both preschool day care for children of working mothers, who take them home at night, and residential care for homeless children. But in most of these cases the primary purpose of the project will revolve around one or the other group. If a project does not fit any of the categories listed, check "other" and briefly characterize the type of program.

I. General

5. (Project's governing board)--The fact of the existence or non-existence of a functioning governing board is of such vital importance that it is included here with the general identifying information. A governing board is a project's primary link with society. In it lie the possibilities of someday gaining support for the project from sources other than CCF. On it rests the major hope of conveying to the local community and national society a better understanding of the children's needs and more effective ways of meeting them.

6. (Registration)--If a country has registration requirements, these may be related to corporate status, or to the attainment of specified standards. In some countries, registration may be optional; if technically required, the law may not be enforced. CCF's objective should be to assist the project, as realistically as possible, toward meeting requirements.

7. (Account for the children on the list)--The evaluator should identify and check off his list of subsidized children each child who is present. In the case of those children who are otherwise accounted for by the superintendent, the evaluator should make an attempt to verify their presence at the other locations through other contacts, if possible. If the project being evaluated is nonresidential, and does not regularly gather all the subsidized children for a particular daily function on site, select a representative sample of children, then visit their families to verify the children's presence and the benefits received.

While roll calls are necessary, care should be taken to be considerate of the feelings of children present who are not sponsored, or whose sponsors do not write them. The procedure should be handled with tact and respect for the children.

II. Financial

1. (Annual audited financial report)-- (a) By virtue of signing the Letter of Agreement each project is required to present CCF with an annual financial report prepared by a duly accredited accounting firm or a functioning audit committee comprised of members of the project or its governing body.

(b) If such a report exists, please indicate in which of these ways the audit was performed. Each project is to be encouraged to have an independent audit whenever possible.

(d) If the project lacks adequately prepared or audited accounts for the latest fiscal year, the evaluator should take immediate steps to help the project correct the situation.

(e) If the field office has not already received a copy of the project's audited financial report, a copy should be secured by the evaluator, either at the time of the visit or by mail, for attachment to the evaluation report.

2. (Commodities received)-- If the project received a substantial amount of free commodities, the evaluator should ask the superintendent (or find out by other means) what was done with the commodities. To be satisfied with the superintendent's statement, the evaluator should consider the reasonableness of the answer given, or verify the statement by inspecting any available commodities. For example, if the superintendent states that clothing has been received and distributed to the children, then the validity of the statement can be proved by the general condition of the children's clothing. In other cases, direct confirmation with the children may be necessary. Insignificant amount of commodities received should be disregarded.

3. (Cost of commodities vs. project's needs)--The question relates to the reasonable cost of commodities purchased in relation to the project's need. In other words, the cost of purchased food, fuel, clothing and other items should be in line with the general requirements of the project and with the standard and cost of living of the locale. For example, other things being equal, the food cost of a home with 20 children would ordinarily be lower than that of a home with 40 children. Also, the quality of commodities purchased can serve as a clue to the reasonableness of cost. Moreover, the evaluator should consider whether discounts were available to the project or might be available. He should furthermore check to insure that interlocking purchase arrangements are not being practiced.

4. (Fiscal year)--A fiscal year means an accounting period of twelve (12) months. At the end of the fiscal year, books are closed and financial statements summarizing the activities of the past twelve month period are prepared. The information requested here pertains to the last month and day of the project's accounting year. For example, it could be December 31, June 30, September 30, or whatever.

5. (Sources of income)--The income figures requested here should cover the last twelve-month accounting period (fiscal year) prior to the time of evaluation. Such information should be taken directly from the project's audit report or other financial records. CCF's contribution to the project's total income should be between 25% and 75%. Any less is likely to mean we have little leverage in improving the project. Any more is likely to mean the project is overly dependent on CCF.

6. (Retention of CCF funds by project's governing body)--CCF does not permit any CCF funds to be retained by the project's governing body--such as diocesan or Salvation Army headquarters. If this policy has been violated, the evaluator or field supervisor should include in the renewed Letter of Agreement immediate and full compliance with this policy as one of the conditions for continued affiliation. Meanwhile, the field office should make full inquiry into the retention.

8. (Unsponsored children)--The evaluator should indicate the number of unsponsored children and ascertain the reasons they are not sponsored. The maximum number of CCF children the project may serve is included in the Letter of Agreement. CCF funds for the support of sponsored children must not be "diluted" by the project's undertaking responsibility for additional children unless these additional children are totally supported by sources other than CCF, and a corresponding change in the Letter of Agreement has been negotiated. The evaluator should also comment on whether the number of children set forth in the Letter of Agreement is realistic in terms of facilities.

9. (a) (Number of children with project)--The number of children requested here should be the total number of children in a project which includes CCF and non-CCF children. Then determine the average number of children for the fiscal year.

(b) (Operating expenses)--Operating expenses also include the fair market value of donated commodities, but exclude capital expenditures for land or buildings. Such financial data should be taken directly from CCF's copy of the audit report as defined (above) in Item 1 of this section. If the project does not have an audit, comparable figures in writing should be furnished over the signature of the president or treasurer.

The evaluator is to fill in the first column and the field office is to fill in the second column. To obtain the figures called for in the second column, divide the cost data in Column 1 by the "average number of children," obtained in Question II, 9, of the Evaluation Report. The "expenses per child" figures are intended to be used in assisting the evaluator to compare the cost of goods and services provided by the project with the quality and quantity of such goods and services observed. By reviewing the financial data, the evaluator should be able to gain information about the project's priorities in child welfare. One project, for good reason, might have decided to give more priority to improving standards of physical care for the children while another project, faced with different circumstances may have decided to emphasize educational or psychological well-being by using more funds for salaries to teachers or other professional workers. Although costs and standards of living vary between different locales, and the quality and quantity of goods and services differ from one project to another, the "expenses per child" figures provide the evaluator with one index that will assist him in judging whether funds are used consistently with the stated program emphases. The evaluator should comment about this in IV, 15, (below).

(d) (Accumulated funds)--Funds unexpended at the end of a fiscal year, and accumulated for purposes of future capital expenditures and operations, include cash on hand and in bank, stock, bonds, real estate and other investments.

III. Sponsor Relations

1. (TYL's)--If there are outstanding TYL's and other correspondence at the project, the evaluator should identify the reasons for the delay and attempt to assist the project in developing a system to minimize such delays in the future.

2. (DFC's)--In preparation for his or her visit, the evaluator should make an advance list of designated funds to be verified. This list should be prepared from a random selection of the total DFC's sent to the project within the three-month period preceding the evaluator's visit, as given on field office copies of the project's monthly subsidy and DF remittance vouchers. The list should include the voucher date, child's name, case number, DF amount in national currency, and the purpose of the gift.

In confirming DF's received, the evaluator should interview each child on the sample list to ascertain that the amount the child states he received is in agreement with the amount shown on the list. Did the child spend the DF money on the goods and/or services specified by the sponsor? Was any portion of the DF used for the benefit of other children or other purpose not originally designated by the sponsor? If so, was this decision made with field office agreement? Was the sponsor notified in advance? What other options might have been available. Again, it is important that the feelings of children who did not receive gifts be considered. Rather than to risk arousing feelings of rejection or low self-worth in them, the evaluator should undertake this procedure privately, if at all possible, with each child included in the sample. This also decreases the likelihood that the presence of project personnel might keep the child from making honest responses to questions.

IV. Program and Administration

1. (Brief description of program)--Sometimes it is necessary for someone in CCF not familiar with a particular project to pick up a copy of a report such as this and get, in one or two sentences, a quick view of what a project is all about. This is where to put just such a brief but complete statement.

2. (Project leadership's concept of social problem(s) being dealt with)--Here is where we learn something about the project superintendent and his general view of human beings and society. What does he think is the problem his program is trying to deal with? For example, a superintendent of a children's home who thinks the problem is the moral wickedness of negligent parents may operate under more self-imposed limitations about the ways he can reach out to and help families than a superintendent who thinks complex factors (such as the scarcity of jobs, changing urban conditions, etc.) are contributing to despair and confusion in the family.

3. (Project's effectiveness in dealing with the problem(s) as identified in #2)--One valid way to evaluate people's efforts is on the basis of their own goals. Using the above example, suppose the project superintendent and his board have decided that the problem is total and irreversible incompetence on the part of the child's natural parent or parents and that the solution lies in the child's making a complete break from his original family. Is the project, then, offering a true substitute home, totally supportive of the child's emotional needs? (Note that this may not be the solution as the evaluator sees it because of the fact that the problem, in the evaluator's opinion, may be different.

4. (Evaluator's concept of the problem(s) being dealt with)--Here the evaluator is asked to state briefly his opinion of the nature of the problem or need which this project should be dealing with.

5. (Project's effectiveness in dealing with the problem(s) as identified in #4)--The evaluator is challenged to decide on the spot whether the two points of view, if they differ significantly, should be discussed immediately and movement made toward a reconciliation of views. If the evaluator thinks this could be handled better at a different time or in a different way, his or her recommendations are welcome here.

6. (General goal)--Has the project's board of directors ever attempted to define their general goal? If they do not know what they are trying to do, how can they evaluate what they have done?

7. (Evaluator's concept of goals and accomplishment)--Here is an opportunity for the evaluator tactfully to help the superintendent lead his board toward a meaningful, explicit statement of goals. It is probably best to have one clear goal, rather than several diffuse and unrelated ones. Objectives (to be specified later in the evaluation) can be more numerous and specific, but they must be related to the goal.

8. (Measuring last year's objectives)--Ideally it should be possible to refer to last year's Letter of Agreement for the list of objectives set forth at that time, and agreed upon by CCF and the project leadership. Also, ideally, it should be possible to specify in either "yes" or "no" terms whether the objective was attained. Of course, if no objectives were formulated in the past, this question will have to be passed over for the current year. However, some loose agreement on less specific objectives may have been understood.

If so, some commentary should be given at this point on the progress, if any, toward their attainment, even if in general terms.

9. (Comments on other recommendations or requirements previously specified)--The evaluator should refer to Section V "Recommendations" of the previous year's evaluation report. If the report was not in use at the time of the last evaluation, general observations would be in order at this point.

10. (Objectives)--The objectives must be jointly worked out between the project and CCF. They are to be set forth in writing in the renewed Letter of Agreement. The space provided on this yearly evaluation report form is for the tentative listing of objectives. These may be subject to further negotiation and approval by the governing board of the project prior to the signing of the Letter of Agreement in its final form. Objectives should be itemized and measurable. The objectives are to be accomplished in the specified time period of the Letter of Agreement. For example, "To help children" is not an objective; but "To eliminate protein-calorie malnutrition among sponsored children in the birth to 5-year category within one year's time" is an objective. It is measurable and can be determined "accomplished" or "not accomplished" by a medical checkup. Another example: "to improve children's education" would not be acceptable as an objective because it cannot be measured; however, "to decrease the project children's rate of failure in school subjects by sponsored children within the FHP by 20 percent by the end of the next school year" is an acceptable way to state an objective. A comparison of school report cards can testify to its attainment or non-attainment. In some instances, it will not be possible to finalize agreement on objectives at the time of the inspection visit. In such cases, proposals for objectives can be discussed and a procedure agreed upon for finalizing agreement on them within a month or two (three at the most) at which time the new Letter of Agreement would be signed. Whenever possible, it is best to involve the project's governing body in the process of defining the goals and objectives.

11. (Problems, needs, or specific requests specified by the project director)--The evaluator should be a good listener. Have the project director's definitions of specific problems he faces been understood? Is he asking CCF to help in some specific way? Are there ways we can respond appropriately?

12. (Evaluative comments)--Here we are getting down to actual evaluation of specifics at the project. Obviously, in order to have a form covering many types of projects, there will be some items on this list not applicable to the particular project being evaluated. Before visiting the project, the evaluator must be sure to be familiar with the country's standards for that particular kind of project. The evaluator is likely to be professionally aware of these standards already. If not, in most countries the government publishes licensing standards through an appropriate ministry or department. In the absence of licensing, there may be suggested standards for categories of child care such as day care, residential care, etc. Wherever possible, reference should be made to these and other accepted published standards in evaluating the items on this list. So the explanations given below are only suggestive, and not exhaustive, of the factors to include in the evaluation.

(a) (Appearance)--How would you like to live (or spend your daytime hours as the case may be) at this place? Is it cheerful? clean? interesting? inviting? If you were a child-sized person, would the size and arrangement of rooms, furnishings, and facilities seem designed for you rather than for giants? Do the facilities suggest regimentation? individualization?

(b) (Sleeping arrangements)--Do children sleep in units simulating a natural family as nearly as possible (with children of different ages and both sexes, and with personalized attention from houseparents?) Or are they regimented in barrack-type dormitories? What degree of privacy does each child have?

(c) (Kitchen and dining facilities)--How would you feel about eating in the project's dining room and with the project's utensils? When you take a whiff of the cooking pots, is your appetite stimulated? Is there a menu available for inspection? Does the project have available (and make use of) consultation from qualified nutritionists for the review of menus and suggestions in the planning of food purchases? (Often local public health services are glad to provide this kind of consultation if requested) Is mealtime a free and happy occasion?

(d) (Children's personal effects)--Except for school children in countries where school uniforms are customary, are all the children required to wear the same type of clothing? or may clothing suit their individuality? In residential institutions, do children have access to their clothing and other personal belongings whenever they choose (perhaps with some guidance)? or are these things kept under lock and key in separate quarters from the children's beds?

(e) (Play facilities)--Do play areas look like play areas? Are toys and play equipment available? Is adult guidance available for teaching recreational skills and sportsmanship?

(f) (Learning facilities)--To what degree does the children's environment stimulate them to learn? What is the teacher/pupil ratio? What training and experience do the teachers have? Are they adequately freed from other responsibilities so that they can devote optimum energy to teaching? How do the learning opportunities offered by the project compare with those of other schools in the country? How much individual attention can be given the child with particular learning disabilities?

(g) (Health and hygiene)--Is there someone on the staff, or available to the project on a regular basis, who can provide nursing services when needed? How is first aid handled? Is quarantine available? What attention is given to preventive measures such as health education for the staff, older children, parents, and community? What training is given the children about personal health habits and how is this training handled? How is sanitation maintained in bathroom, sleeping, and play facilities?

(h) (Staff/child communication)--Is there only one-way communication between staff and children? or is there two-way communication? How well do staff persons listen to a child's problems or complaints? Do staff persons have pat answers for every problem? or do they stimulate the child's self-confidence so that the child can work toward his own solutions? Do staff persons always intervene in children's disputes? or do they create an atmosphere in which the children can resolve their own difficulties? Is the general attitude of child toward staff one of fear and awe? or one of trust and openness?

(i) (Services to parents and families)--To what extent does the project include service to parents and families of the children being helped as part of its purpose? Is involvement with families on a partnership basis or on a condescending basis? To what extent are parents invited to share their idea about the project's program? What, it any, are the specific services to parents and families? Is counseling offered? If so, by whom and for what types of problems? Are such obvious subjects as child care, parent-child communication, health, nutrition, home economics, family planning, etc., included in the project's educational services?

(j) (Involvement with the surrounding community)--Questions similar to those above may apply to the project's involvement with the surrounding community. How are the problems of the community identified? By dictates of the project or through democratic community development process?

(k) (Approach to value-sharing)--Values are those things a person or (in this case) an organization thinks are important. Religious institutions, for instance, have religious values. In English the word "belief" equals "by-life" or "something to live by" if we trace it back to its Anglo-Saxon origins. Etymologically, therefore, if the value is not modeled in one's life, it is not a belief--it is not a value. Values are transmitted when one person models himself after another person with whom he would like to identify.

All this is preface to saying that a project's approach to value-sharing (or teaching beliefs) will be more effective if the values are mirrored in the quality of the staff's acceptance, care, and concern for the child rather than in "do this--don't do that" lectures. The evaluator should be alert to possible inconsistencies between the project's avowed "Christian" belief, on the one hand, and a failure, on the other hand, to mirror the freedom, creativity, and accepting love this term should imply. Projects under non-sectarian auspices should make it possible for children to have ample contact with mature adults who can lead them in exploring a variety of value systems and find answers to honest questions about the meaning of life. And--according to CCF policy--Christian teaching should be one of the value systems to which the child has access in the larger community.

(l) (Individual attention)--One way to help make sure a child is treated as an individual is for the project to assign a staff person to be responsible for collecting and coordinating pertinent information about the child's background, reason for admission, needs, and characteristics. In this way, all the project staff in contact with the child can participate in planning designed to better meet his needs, increase his potential, and ready him for a future away from the project. Whether the person designated is a caseworker, a teacher, the project superintendent, (who, of course, may be too overburdened for this task) or even a well-selected volunteer will vary according to the size, type, and quality of the project.

(m) (Socio-emotional climate among the children)--Are the children isolated and withdrawn? Or are they active, playful, and seemingly accepting of themselves and others? How do the children handle their aggressive urges? Do the children seem starved for affection?

(n) (Quality and effectiveness of the staff)--Do the staff qualifications correspond to the types of functions they fill? How well are their respective skills utilized to achieve project goals?

(o) (Employment practices)--Does the project attempt to capitalize on the "martyr complex" by underpaying the staff and appealing to "dedication" alone? (The danger here is that buried, unrecognized resentments may subtly affect the staff's relationship with the children, or that a "humble" self-righteous superiority may make it difficult for the staff to feel accepting toward the children's parents. What sacrifices are expected? As a very minimum, are the labor and social security laws followed? Are staff members given the same respect and privacy of person that we urge as a standard for the children? Is child labor used inappropriately?

(p) (Administrative efficiency)--Sloppy, inefficient administration robs time and resources from good programming for the children.

(q) Other--What else do you notice about the project that adds or detracts value?

13. and 14. (Changes in the project since the last project description and No. 1 Forms were written)--We want to avoid the time-consuming exercise of having to repeat descriptive information about a project each time a visit is made. If past reports are referred to, this section will permit, we hope, a relatively easy updating. Up-dated forms aid in decision-making and planning, and in prompt accurate answers to sponsors' inquiries.

(a) (Governing board and officers)-- This information gives us clues as to the vitality of the project's supporting groups. If board membership represents only a narrow spectrum of types of background and training, we would anticipate that the board might have greater difficulty in understanding and accepting certain suggestions for change or improvement. If board members tend to be local persons and the selection process favors friends and relatives of current board members, this may automatically exclude fresh perspectives and new points of view. One way to check on this is to request a sentence or two of biographical information about each of the board members. If the project is under the auspices of a church or organization that has its own governing board, diocesan authority, or the like, comment should be given either in the initial No. 1 Form of the project or here, in its updating, as to whether the central authority or board of the church or organization exercise direct control of the project or whether it seems to delegate almost complete authority to the superintendent. Or, in some cases, there may be a specialized committee responsible to the church for the policy and management of welfare projects. Whatever the board or committee, is it active? Does it concern itself directly with this project? Is it interested in understanding the issues, problems, and opportunities that the project, with CCF backing, faces in determining program goals and objectives?

(b) (Ownership of property)--To whom does the property actually belong? This may have some bearing on what can be done with it. It is also an indicator of the degree of cooperation the projects may enjoy with other authorities and institutions. Have there been any changes since the last No. 1 Form? Is the project moving in a certain direction of property ownership?

(c) (Philosophy/attitude/approach)--This is difficult to assess, but the evaluator may have some feeling in talking with the project personnel, about changes in philosophy or attitude that may not be explicitly reflected in the statement of goals or objectives. We are particularly interested here in attitudes that may affect the children or the relationship of personnel to them or their families.

(d) (Budget)--What changes are occuring in the project's total resources? Which sources are expanding and which contracting? Are uses for some of the project's funds becoming more restricted? less restricted?

(e) (Staff) --Are there changes in what the existing staff considers its staffing needs? What does the evaluator consider its staffing needs to be? Is the project taking on more staff, or is it contracting due to budgetary problems? In what type of staff is the principle expansion or contraction? Have there been changes in the qualifications and skills required for staff people?

(f) (Administrative procedures)--Are there changes in administrative procedures that contribute to better planning? financial accountability? CCF sponsor relations? delivery of services? Or has there been the reverse in any of these cases? Specifically, what are the changes?

(g) (Facilities)--What additions, improvements, rearrangements, or deterioration in the facilities affecting program style or content have occurred since the last No. 1 Form?

(h) (Size of project)--Are more children, or fewer, being served now than previously? Has the proportion of those sponsored changed? Is the average age level rising or falling? Are there more boys now than previously? more girls? Is the project reaching out to serve other groups in the community heretofore not served? (Note: If any changes have occurred in the project's criteria for admission of children for sponsorship, or if no such criteria have previously been submitted to CCF, a written statement should be formulated by the project and submitted along with the other required documents.)

(i) (Scope of program)--Perhaps the project is becoming more community-service oriented. Perhaps it is taking up casework services to families rather than focusing entirely on the children in residence. Perhaps a day

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school has added a lunch program. What has happened to the scope of the program in the past year?

(j) (Quality of care)--This can be affected for good or bad by many factors: increase or decrease in available funds; change in leadership, morale problems among the staff; or even changes in the needs of the clientel (a "good" service, rendered to children who need a different kind of service is not maximizing our assistance benefits.)

(k) (Relationship to other agencies)--Changes here may indicate a greater or lesser degree of cooperation and openness to coordinated planning for meeting human needs.

15. (General observations and evaluation)--Please summarize your overall impressions and make a general evaluative statement about the project. In part you should refer to conclusions you drew from II, 9, b.

V. Recommendations

This evaluation should not have been an idle exercise. When a good project comes through with a clean slate, it renews our faith in our colleagues there and regenerates our commitment to them. When problems are identified, we have a responsibility to help the project deal with them if at all possible. Whenever possible, (rather than to apply this evaluation process in a judgmental way), projects strong in one or more aspects of their program or administration can instruct weaker projects through training programs carefully designed and tactfully carried out by the field office personnel. In any case, a new Letter of Agreement following CCF's standard format should be negotiated and take effect three months after the date of the inspection visit. If the problems are beyond our ability to master, or if the project leadership lacks the will and commitment to provide sufficient cooperation, good stewardship requires disaffiliation. When that decision has been reached we must do our best to minimize the adverse effect of the change on the children in the project. However, keep in mind that sometimes a painful operation is better, in the long run, than living indefinitely with a chronic illness.

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AFFILIATED PROJECTS

CONFIDENTIAL YEARLY EVALUATION REPORT

Type of Program
(Check all that apply, circle the one that is primary.)

☐ Residential child care
☐ Boarding school
☐ Day school
☐ Preschool day care
☐ Family Helper Project (cash subsidy)
☐ Family Helper Project (no cash subsidy)
☐ Other (specify) ____________________
____
____
____

I. GENERAL

1. Project No:

2. Project name:

3. Project mailing address:

4. Name of superintendent:

5. a) Does the project have a governing board? Yes ☐ No ☐ b) Number of members _____ c) Number of meetings in the last 12 months _____.

6. Is the project registered with the government, and if so, how?

7. Account for the children included on the project's current list of subsidised children and specify how this was done.

II. FINANCIAL

1. a) Does an annually audited financial report exist? Yes ☐ No ☐; Fiscal year covered ________________; Seen by evaluator? Yes ☐ No ☐.
b) Prepared by: independent auditors ☐; audit committee of the governing board ☐; project staff ☐.
c) Comments on the project's accounting system:

d) Steps taken (or planned) to correct deficiencies, if any:

e) Has CCF received a copy of the annual audited financial report? Yes ☐ No ☐

2. Has the project received any substantial amount of free commodities? Yes ☐ No ☐ If yes, state whether you have satisfied yourself as to what was done with the commodities.

3. Does there appear to be a logical relationship between the cost of commodities purchased (food, fuel, clothing, etc.) and the project's needs?

4. Project's fiscal year ends ____________ (month) ______ (day).

5. Sources of income received in latest fiscal year:

Christian Children's Fund, Inc. (excluding DFC)	
Sponsorship programs other than CCF	
Individual or group contributions	
Other sources	
Commodity gifts:	
Food	
Clothing	
Other	
Total	

6. Did the project's governing body retain any portion of last year's CCF funds? Yes ☐ No ☐ If yes, state amount ______________.

7. Secure and attach a copy of the budget for the project's current fiscal year, and arrange to obtain a copy of the budget for the next fiscal year at least 30 days prior to its beginning. (Considerable help may be needed to "sell" the value of budgeting to some projects.)

8. Explain the presence and sources of support of the children, if any, who are not on the home office list of subsidized children. How many of these unsponsored children are there?

9. Financial data for the project's latest complete fiscal year:

a) Total children at start of project's fiscal year	
At end of first six months of fiscal year	
At end of fiscal year	
Total	
Average of the above (divide total by 3)	

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b) Operating expenses

	To be entered by evaluator	To be entered by field office	To be entered by Rich. office
	Total expenses (National Cur.)	Expenses per child (National Cur.)	Expenses per child (US$)
Salaries			
Food (including value of donated food)			
Clothing (including value of donated clothing)			
Utilities (heat, light, water, etc.)			
Motor vehicle expense			
Furniture, fixtures & equip.			
Repairs & maintenance			
Medical			
Education supplies & expense			
Fund raising			
Other: ________________			
Total			

c) Capital expenditures for land or building(s) ______________________________.

d) Accumulated balances of funds (cash & investment) at the end of the fiscal year for capital additions ________________; for operations ______________.

10. Does the superintendent receive housing? Yes ☐ No ☐; meals Yes ☐ No ☐; Is his/her family included? Yes ☐ No ☐. What other staff receive in-kind remuneration, and of what nature?

III. SPONSOR RELATIONS

1. Account for outstanding TYL's and other correspondence.

2. By random sampling, select a representative number of children. Confirm directly with the selected children that they received and appropriately used their designated funds sent to the project within the three months preceding your visit.

Total number of designated gifts sent in the preceding three months ____________.
Number in sample selected ____________. Number in sample confirmed __________.
Explanation of discrepancies, if any:

IV. PROGRAM AND ADMINISTRATION

1. Brief description of the program:

2. Project leadership's concept of the social problem(s) being dealt with:

3. How effectively is the project dealing with the problem(s) as identified in No. 2?

4. Evaluator's concept of the problem(s) that should be dealt with:

5. How effectively is the project dealing with the problem(s) as identified in No. 4? (Discuss briefly the degree to which reconciliation of views is essential, and outline possible approaches.)

6. General goal(s) of the project as specified in writing by the governing board of the project. (In the absence of this, can the superintendent articulate a general goal or goals?)

7. Evaluator's concept of what the project goal could/should be and how to better accomplish the goal. (Discuss with the superintendent any differences in concept and note the outcome of discussion. Briefly give your opinion about the degree to which a reconciliation of views is essential. Outline possible approaches.)

8. List the project's objectives of the past year. For each objective, show how it was measured and whether or not the objective was accomplished.

	objective	measuring instrument	outcome
a)			
b)			
c)			
d)			

9. Comments on the accomplishment or nonaccomplishment of any other recommendations or requirements specified in the previous evaluation report:

10. Objectives for the year ahead. (These are to be itemized and measurable and have a time limit of a few days to a year. See the instruction manual.)

objectives	measuring instrument

11. Problems, needs or specific requests (such as for certain forms of in-service training) specified by the project director.

12. Evaluative comments on the following (where applicable):

a) General appearance of the facilities (maintenance, cleanliness, and suitability to their purpose)

b) Sleeping arrangements for the children

c) Kitchen, dining and nutrition factors

d) Children's personal effects

e) Atmosphere/facilities for play

f) Atmosphere/facilities for learning

g) Health and hygiene

h) Observed staff/child relationships and communication

i) Project's services to parents and families

j) Project's services to--and involvement with--the surrounding community

k) Project's approach to value sharing

l) Attention afforded each child for individual identity building, problem solving, and growth

m) Socio-emotional climate among the children

n) Quality and effectiveness of the staff

o) Employment practices

p) Administrative efficiency

q) Other

13. Changes in the project since the last Project Description Form was prepared. (The evaluator should have a copy of the PDF with him/her for reference and note below any items that need to be changed. If two years or more have gone by since the PDF was written, and if the changes warrant it, a revised PDF is to be attached to this evaluation report.)

14. Changes in the project since the last No. 1 Form was prepared. (The evaluator should have a copy of the No. 1 Form with him/her for reference. Any items that have changed substantially should be described below. Any items that have not changed substantially, should be left blank.)

a) Governing board or affiliation and its officers. (NOTE: The following should be checked to see whether current information in CCF files is up to date: 1. Names of board officers; 2. Brief biographical information showing the qualifications of each officer; 3. Commentary on how board members are selected and their terms of office.)

b) Ownership of property

c) Philosophy/attitude/approach

d) Budget

e) Staff (number, type, quality)

f) Administrative procedures

g) Facilities

h) Size of project (including number of children [by sex] and other participants) (If the project has not already submitted a statement of eligibility criteria for CCF children, attach a copy to this evaluation report.)

i) Scope of program

j) Quality of care or services

k) Relationship to the government or to other agencies and institutions

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15. General observations and evaluation of project: (This should be based in part on the evaluator's interpretation of the data in II, 5, and II, 9, b)

V. RECOMMENDATIONS

☐ Continued affiliation (normal inspection timetable).

☐ Continued affiliation, but with special attention or services to this project by CCF.

☐ Tentative continuation of affiliation, with specified conditions, and a re-evaluation in ________ months.

☐ Disaffiliate ______________.
(state when)

☐ Disaffiliate immediately.

Specifics on the above:

Other recommendations:

Date of Visit ______________________

Signed ______________________________
(Evaluator)

Title ______________________________

Time needed to complete this inspection, including travel time and time used in preparation of this report, but not including time taken for meals, sleeping, or other personal use. (NOTE: Pro-rate travel time per project if more than one project is visited on a trip.) Be sure to include the time of all the field office persons involved.

Travel ____________ hours
Time evaluating the project ____________ hours (including off-site consultation)
Report preparation ____________ hours

Total ____________ hours

____
(date)

____
Field Supervisor (Signature)

DATE: July 12, 1974

TO: All Field Supervisors

FROM: O. Martin Shorter, Comptroller

SUBJECT: Minimum Financial Accounting and Reporting Requirements for Affiliated Projects

Until now we have not had minimum financial accounting and reporting requirements for affiliated projects. However, our financial inspection program this past year has shown that the accounting records in our affiliated projects range from "highly sophisticated" to "practically nothing".

Attached is a suggested list of CCF's minimum accounting and reporting requirements for all affiliated projects (including Homes). Projects whose accounting records and practices are superior to CCF's minimum standards should be encouraged to continue their good financial and accounting practices. Projects whose records do not meet CCF's standards should be given until July 1, 1975 to comply, and assistance should be provided in setting up financial records. Refusal to meet our standards by that date will be grounds for disaffiliation.

The annual audited financial report and annual budget for each project (Nos. 3 and 4 of the Minimum Financial Accounting and Reporting Requirements) should be used by the field office in its evaluation program. The financial statement should be checked against the accounting records, if possible, and the budget should be reviewed and related to previous years' experiences.

I cannot emphasize enough the necessity that all financial records of each project be made available for inspection. Without the whole picture, how can a true evaluation of the needs be made?

Please inform the projects affected that they do not need to keep CCF funds in a separate bank account. (Note: This does not alter in any way our requirement that 100% of all DFs be used for the stipulated purpose and/or child.) We only require that CCF contributions be recorded in their CASH RECEIPTS JOURNAL as a separate item.

But in their CASH DISBURSEMENTS JOURNAL they do not need to keep CCF disbursements separate from their other disbursements. The only exception is when CCF provides funds for an auxiliary program of the project and not for the project's main program (for example, a CCF-funded day care center at a residential institution funded by other sources). In that case, disbursements for the CCF-funded portion of the project should be kept separate from the other disbursements.

These Minimum Financial Accounting Requirements may be altered, if necessary, to conform to circumstances in your country; however, the basic requirements should be maintained.

CHRISTIAN CHILDREN'S FUND, INC.

AFFILIATED PROJECTS
MINIMUM FINANCIAL ACCOUNTING AND REPORTING REQUIREMENTS

July 1, 1974

The following are the minimum financial requirements for all affiliated projects as of July 1975:

1. CASH RECEIPTS AND CASH DISBURSEMENTS JOURNALS

A Cash Receipts Journal and a Cash Disbursements Journal are to be maintained by the project to account for all receipts and disbursements. These journals are to be kept as follows:

a) Cash Receipts Journal
Each cash receipt of the project should be entered individually in the Journal and classified as to its source. (CCF will be just one of its sources.) As of the end of the fiscal year, a summary of the year's cash receipts is made. DF receipts should be recorded in a separate account.

b) Cash Disbursements Journal
Each payment should be entered individually in the journal and classified by type of expense (salaries, rent, water, food, etc.). As of the end of each month, the month's transactions are totaled; and as of the end of the fiscal year, a summary of the year's cash disbursements is made. DF payments to designated children or for specified purposes should be recorded in a separate account.

2. COMMODITIES RECEIVED

The project is to maintain record of amounts of free commodities received and their subsequent use. As of the end of each month, the month's transactions are totaled; and as of the end of the fiscal year, a summary of the year's transactions is made. The format of the record of commodities is as follows:

FREE COMMODITIES RECEIVED AND USED

	RECEIVED			USED	
Date	Food	Clothing	Other	Description	Amount
6-2-75	P300.00		Gas P500.00		
6-5-75		P1,000.00		Food	300.00
6-25-75				Gas	500.00
6-27-75				Clothing	500.00

3. ANNUAL AUDITED FINANCIAL REPORT

An annual summary of income (cash and free commodites received), expenses (cash and free commodities expended), and assets is to be sent to the CCF field office within six months after the close of the project's fiscal year. If at all possible, this summary should be attested to by a licensed accounting firm or accountant. But it is also acceptable for the summary to be attested to by an audit committee of the project's governing board members or by staff members of the project appointed to this task.

4. ANNUAL BUDGET

Each year, thirty days before the start of the project's fiscal year, a budget must be submitted to the field office by the project. The budget must contain a summary of the expected revenue and commodities and their sources as well as the projects's anticipated expenditures for the fiscal year.

NOTE: All the financial records of the project must be available for inspection by CCF representatives. Refusal by the project to permit such inspections will be grounds for disaffiliation from CCF.

TO: All Field Supervisors

FROM: E. T. Hurley

DATE: January 25, 1974

SUBJECT: Dual Sponsorships

Responses concerning the possibility of allowing dual sponsorship programs have been received from most field offices. Due to varying programs and circumstances, a variety of responses was received. Most were favorable. Non-favorable response was basically concerned with the effects upon the recipient and control.

Staff Management has approved the plan with the intent of providing the possibility of such dual sponsorships. Such a plan would be allowed only when, in the opinion of the field supervisor and child care coordinator, the recipient's development would be enhanced. Since recommendation for dual programs would be initiated through the field office, each office would be able to exercise its own judgement concerning the advisability of the plan. Final approval by the Head Office would be required. It is the feeling of the Executive Staff that this will provide the maximum flexibility for our varying program.

Initially, we would prefer to limit the dual sponsorship program to those of a local nature or independent project structure. After gaining experience with these, we would then consider possible cooperation with other international agencies when the services would be of additional value. In these instances we would require the approval of the other organization's head office and a definite plan to insure there isn't a duplication of services or administration.

Attached is the revised procedure which must be followed in considering projects in which dual sponsorships are recommended.

Enclosure

cc: Staff Management

1. It would be established by the field office that income sources were maximized, and that no other sources of income could be developed other than a sponsorship plan.

2. It would be established by the field office that a dual sponsorship program would not be an undue administrative burden to the project, or exploitive to the children involved.

3. It would be established by the field office that the project could administratively handle two (or more) sponsorship programs by keeping separate the "sponsorship" materials of each of the programs.

4. It would be established that the project and field office could properly screen all materials related to CCF sponsors to ensure that there would be no confusion of correspondence between programs.

5. It would be established by the field office that the projects maintained accounting records which would clearly segregate income by source.

6. It would be established that no part of CCF's support would be used to maintain or support other sponsorship programs or their administration.

7. It would be established that the aims and objectives of organizations offering assistance through sponsorship plans were compatible with the aims and objectives of CCF.

8. It would be established by the field office that all eligible children within an agreed capacity for a project were on CCF's list.

9. The field office would submit the above information to the Head Office for final review and acceptance along with any other personal consideration they might feel germaine to the decision.

January 1974

MEMO

TO: Staff Management DATE: July 30, 1974

FROM: Global Strategy Committee, by D. J. Herrell, Chairman

The following was adopted at our June 25 meeting, and is submitted to Staff Management for approval:

Proposed Guidelines on Multiple Sponsorships

1. Multiple sponsorships should be limited to institutional projects serving handicapped children, or to babies Homes, which:
    - a) Require (and demonstrate the will and administrative capacity to provide) high quality intensive care and professional services; and
    - b) Operate in countries which tend to reject or give low priority to providing care for such groups.
2. The extent of CCF support should not exceed 75% of the total resources of the project.
3. Plans to move existing multiple-sponsorship projects either toward meeting these criteria, or out of multiple sponsorship, shall be included in the projects' renewed letters of agreement.
4. Present multiple-sponsorship projects which would receive an increase in income due to the new payment formula will be required to reduce the number of sponsorships to bring it down to its present income level.

te

CHRISTIAN CHILDREN'S FUND, INC.

Richmond, Virginia

REPORT ON EXAMINATION

For the Fiscal Year Ended

JUNE 30, 1973

Non-Profit Voluntary Child-Care Organization

Incorporated in Virginia on October 6, 1938

(1319)

CHRISTIAN CHILDREN'S FUND, INC.

June 30, 1973

OFFICERS

John J. Fairbank, Jr. *	President
Lee F. Davis	Vice President
W. Stirling King	Secretary and Assistant Treasurer
E. Otto N. Williams	Treasurer

EXECUTIVE DIRECTOR

Verent J. Mills

DIRECTORS

John J. Fairbank, Jr., Chairman *

- Paul J. Carlson
- Lee F. Davis
- Edward D. Grant
- Mrs. Ruth Jewson
- W. Stirling King
- Wallace C. Merwin
- Thomas N. Parker, Jr.
- Morten Pedersen
- Mrs. Kathryn S. Powell
- Joseph Reid
- Preston C. Shannon
- Harold F. Snead
- Hazen G. Werner
- Frank J. Whilsmith
- E. Otto N. Williams
- Kenneth L. Wilson

* Elected to fill unexpired term of T. Nelson Parker deceased May 12, 1973.

CHRISTIAN CHILDREN'S FUND, INC.

June 30, 1973

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DALTON, PENNELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS

H. C. BOONE, C. P. A.
G. KENNETH COLE, C. P. A.
WILLARD H. CRAFT, C. P. A.
H. ADDISON DALTON, C. P. A.
DAVID M. DEITZ, C. P. A.
C. B. DONNKARD, JR., C. P. A.
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WILLIAM T. POWELL, C. P. A.
ARTHUR D. SHANDS, C. P. A.
SIDNEY E. SUTHERLAND, III, C. P. A.

WILLIAM A. PENNELL, C. P. A.
(RETIRED)

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
C. P. A. ASSOCIATES
OFFICES IN PRINCIPAL CITIES

The Board of Directors
Christian Children's Fund, Inc.
Richmond, Virginia

We have examined the balance sheet of Christian Children's Fund, Inc., as of June 30, 1973, and the related summary of financial activities and statements of functional expenditures and changes in fund balances with their supporting schedules for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In accordance with practices followed by non-profit organizations no provision has been made for depreciation on the property and equipment used in its operations. The financial statements included in this report have been prepared in the form recommended by the National Health Council, the National Social Welfare Assembly, and the Agency for International Development of the United States Department of State.

In our opinion the financial statements referred to in the first paragraph above present fairly the financial position of Christian Children's Fund, Inc., at June 30, 1973, and the results of its operations for the fiscal year then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Dalton, Pennell + Co.
Certified Public Accountants

Richmond, Virginia
August 30, 1973

CHRISTIAN CHILDREN'S FUND, INC.

SUMMARY OF FINANCIAL ACTIVITIES

For the Fiscal Year Ended June 30, 1973

Exhibit A

SUPPORT FROM THE PUBLIC		
Received directly:		
Cash contributions, sponsorship	$19 507 532	
Cash contributions, unsponsored	1 011 805	
Bequests, unrestricted	338 104	
Contributions received for designated children	1 722 034	
Bequests, restricted	95 401	
Other restricted funds	24 474	
Contributions received for Christian Children's Fund home construction	7 640	
Total Received Directly		$22 706 990
Received indirectly:		
Contributions from Christian Children's Fund of Canada		1 379 929
Total Support from the Public		$24 086 919
GRANTS FROM FOREIGN GOVERNMENTS		162 969
OTHER REVENUE		
Interest	$ 189 883	
Dividends	49 968	
Rents	3 582	
Gain on foreign exchange	20 771	
Proceeds from sale of property	357 097	
Refunds	3 749	
Revenue from work projects at Christian Children's Fund homes	8 541	
Trust income, Goodwill Education Trust	519	
Miscellaneous	6 463	
Total Other Revenue		640 573
Total Support and Revenue		$24 890 461
DEDUCT		
Currently expendable but only as specified by donor (Exhibit E)	$ 119 875	
Contributions received for Christian Children's Fund home construction	7 640	
Other revenue, received by special funds	7 583	135 098
Support and Revenue Available to Finance Current General Activities		$24 755 363

(Continued)

CHRISTIAN CHILDREN'S FUND, INC.

SUMMARY OF FINANCIAL ACTIVITIES

For the Fiscal Year Ended June 30, 1973

Exhibit A
(Concluded)

EXPENDITURES		
Child Care Program Services:		
Grants to associated homes, projects, individuals and others (Exhibit C)	$11 110 240	
Family Helper Projects operated by Christian Children's Fund, Inc. (Exhibit C)	5 489 425	
Expenditures, Homes operated by Christian Children's Fund, Inc. (Exhibit C)	720 048	
Field supervision (Exhibit C)	1 630 451	
Payment of contributions received for designated children	1 722 034	
Endowment and other Fund payments	182	
Total Child Care Program Services		$20 672 380
Supporting Services: (Exhibit C)		
Management and general	$ 2 324 740	
Fund raising	2 390 410	
Total Supporting Services		4 715 150
Total Expenditures		$25 387 530
DEDUCT EXPENDITURES FINANCED BY SPECIAL FUNDS		
Restricted Fund	$ 140 545	
Endowment Fund	182	
Land, Building and Equipment Fund	165 483	306 210
Expenditures Financed by Current General Revenue		$25 081 320
EXCESS (DEFICIENCY) OF CURRENT GENERAL REVENUE OVER RELATED EXPENDITURES (To Exhibit D)		$(325 957)

The Notes to Financial Statements are an integral part of this statement.

CHRISTIAN CHILDREN'S FUND, INC.

BALANCE SHEET

June 30, 1973

ASSETS

GENERAL FUND

Cash (Schedule 7)	$ 3 397 163
Refundable deposits and advances	39 236
Securities owned (Market value $2,542,807) (Schedule 8) (Note 4)	2 364 953
Due from Christian Children's Fund of Canada	172 878
Due from Land, Building and Equipment Fund	54 822
Due from Restricted Fund	938
Mortgage note receivable (Note 3)	86 619
Other receivables	134 690
Real estate, at cost	8 180
Prepaid expenses	183 031
Total General Fund	$ 6 442 510

RESTRICTED FUND

Cash	$ 142 664
Total Restricted Fund	$ 142 664

LAND, BUILDING AND EQUIPMENT FUND

Unexpended Funds

Cash	$ 37 675
Cash, restricted (Note 5)	61 556
Receivable from City of Pusan, Korea	5 331
Total Unexpended Funds	$ 104 562

Equity in Land, Buildings and Equipment

Land and buildings (Schedule 9) (Note 6)	$ 3 252 346
Furniture, fixtures and equipment, Home Office (Schedule 9) (Note 6)	295 399
Total Equity	$ 3 547 745

(Continued)

Exhibit B

LIABILITIES AND FUND BALANCES

GENERAL FUND

Accounts payable	$ 97 056
Taxes payable	5 478
Accrued salaries	34 967
Refundable deposits	6 649
Due to Custodian Fund	6 752
Due to Endowment Fund	1 774
Deferred sponsorship contributions	2 657 775
Designated funds payable	142 006
Accrued severance pay	253 938
Fund balance:	
Unappropriated balance, June 30, 1973 (Exhibit D)	3 236 115
Total General Fund	$ 6 442 510

RESTRICTED FUND

Due to General Fund	$ 938
Due to Custodian Fund	1 415
Fund balances (Exhibit E)	140 311
Total Restricted Fund	$ 142 664

LAND, BUILDING AND EQUIPMENT FUND

Unexpended Funds

Accounts payable	$ 20 520
Due to General Fund	54 822
Fund balances, appropriated (Exhibit F) (Note 7)	29 220
Total Unexpended Funds	$ 104 562

Equity in Land, Buildings and Equipment

Equity in land, buildings and equipment (Exhibit F)	$ 3 547 745
Total Equity	$ 3 547 745

CHRISTIAN CHILDREN'S FUND, INC.

BALANCE SHEET

June 30, 1973

ASSETS

ENDOWMENT FUNDS AND FUNDS FUNCTIONING AS ENDOWMENT

Cash	$ 76 997
Due from General Fund	1 774
Assets with Trustee (Market value $11,267) (Note 4)	9 879
Securities (Market value $1,731) (Note 4)	1 806
Total Endowment Funds and Funds Functioning as Endowment	$ 90 456

CUSTODIAN FUNDS

Cash	$ 123 826
Due from General Fund	6 752
Due from Restricted Fund	1 415
Total Custodian Funds	$ 131 993

The Notes to Financial Statements are an integral part of this statement.

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Exhibit B
(Concluded)

LIABILITIES AND FUND BALANCES

ENDOWMENT FUNDS AND FUNDS FUNCTIONING AS ENDOWMENT

Fund balances:	
Endowment funds (Exhibit G)	$ 79 322
Funds functioning as endowment by Board action (Exhibit H)	11 134
Total Endowment Funds and Funds Functioning as Endowment	$ 90 4[illegible]

CUSTODIAN FUNDS

Custodian funds held for children	$ 131 993
Total Custodian Funds	$ 131 993

CHRISTIAN CHILDREN'S FUND, INC.

ANALYSIS OF FUNCTIONAL EXPENDITURES

For the Fiscal Year Ended June 30, 1973

	CHILD CARE		
	Associated Homes and Projects	Family Helper Projects	Homes Operated by C.C.F.
Grants to associated homes and projects (Schedule 1)	$10 939 630	$ -	$ -
Restricted purpose expenditures (Exhibit E)	140 545	-	-
Grants to individuals and others	17 681	-	-
Cash subsidies paid	-	4 542 553	-
Food	-	2 905	144 718
Medical supplies and expense	-	6 959	15 135
Clothing	-	649	18 851
Education supplies and expenses	-	2 922	41 272
Salaries	-	664 546	291 405
Printing, stationery and supplies	-	12 987	6 866
Taxes, payroll and other	-	29 068	7 207
Travel	-	14 889	10 218
Conferences and meetings	-	5 744	1 798
Insurance	-	7 391	2 629
Dues and subscriptions	-	975	975
Surveys and consultant fees	-	-	-
Contract service payments	-	39 222	-
Automobile and truck expense	-	8 771	8 110
Advertising and publicity	-	20	27
Picture reproduction	-	6 093	841
Equipment rentals	-	-	-
Rent	-	26 399	1 285
Legal services	-	-	601
Auditing fees	-	-	292
Freight	-	3 026	585
Entertainment	-	1 832	3 015
Maintenance, repairs and supplies	-	21 723	47 561
Heat, light and water	-	5 504	37 299
Telephone and cables	-	5 649	3 079
Postage	-	15 777	832
Furniture and fixtures	-	20 354	5 845
Land and buildings (Schedule 6)	12 384	-	35 688
Staff quarters expense	-	433	195
Training program expense	-	880	773
Severance pay provision	-	34 719	25 472
Employees' pension plan expense (Note 9)	-	-	-
Brochures and other publications	-	-	-
Miscellaneous	-	7 435	7 474
TOTALS (To Exhibit A)	$11 110 260	$ 5 489 425 (Schedule 2)	$ 720 068 (Schedule 3)

The Notes to Financial Statements are an integral part of this statement.

Exhibit C

PROGRAM		SUPPORTING SERVICES			
Field Supervision	Total Child Care Program	Management and General	Fund Raising	Total Supporting Services	Total
$ -	$10 939 630	$ -	$ -	$ -	$10 939 630
-	140 545	-	-	-	140 545
-	17 681	-	-	-	17 681
-	4 542 553	-	-	-	4 542 553
-	147 623	-	-	-	147 623
5	22 099	-	-	-	22 099
-	19 500	-	-	-	19 500
5 069	49 263	1 651	-	1 651	50 914
689 437	1 645 388	1 023 284	14 369	1 037 653	2 683 041
79 451	99 304	134 960	1 195	136 155	235 459
43 245	79 520	58 291	6	58 297	137 817
110 960	136 067	54 607	5 707	60 314	196 381
5 270	12 812	11 205	-	11 205	24 017
14 773	24 793	53 679	432	54 111	78 904
2 153	4 103	16 133	78	16 211	20 314
1 032	1 032	-	17 724	17 724	18 756
17 251	56 473	59 835	7 466	67 301	123 774
24 513	41 394	539	-	539	41 933
460	507	-	1 734 215	1 734 215	1 734 722
14 265	21 199	3 282	118	3 400	24 599
3 112	3 112	267 534	-	267 534	270 646
40 897	68 581	1 551	909	2 460	71 041
11 894	12 495	23 600	-	23 600	36 095
735	1 027	10 900	792	11 69[illegible]	12 719
4 164	7 775	3 682	-	3 68[illegible]	11 457
5 320	10 167	541	-	541	10 708
24 538	93 822	35 897	7	35 904	129 726
11 628	54 431	30 302	-	30 302	84 733
13 847	22 575	14 873	238	15 111	37 686
181 873	198 482	208 529	114 100	322 629	521 111
137 485	163 684	43 815	230	44 045	207 729
81 340	129 412	28 425	-	28 425	157 837
46 333	46 961	7 969	-	7 969	54 930
14 245	15 898	4 103	-	4 103	20 001
30 595	90 786	-	-	-	90 786
-	-	223 121	-	223 121	223 121
-	-	-	492 679	492 679	492 679
14 561	29 470	2 432	145	2 577	32 047
$ 1 630 451	$18 950 164	$ 2 326 740	$ 2 390 410	$ 4 715 150	$23 665 314
(Schedule 4)		(Schedule 5)			

CHRISTIAN CHILDREN'S FUND, INC.

STATEMENT OF CHANGES IN GENERAL FUND BALANCE

For the Fiscal Year Ended June 30, 1973

Exhibit D

FUND BALANCE, July 1, 1972		$ 3 478 112
Add:		
Transfers from Endowment Fund	$ 4 677	
Transfers from Land, Building and Equipment Fund	87 967	
Transfers from Restricted Fund	1 990	
Total Additions		94 634
		$ 3 572 746
Deduct:		
Transfers to Fund Balances - Funds Functioning as Endowment	$ 10 674	
Excess of current general expenditures over related revenue for the fiscal year ended June 30, 1973 (Exhibit A)	325 957	
Total Deductions		336 631
FUND BALANCE, June 30, 1973 (To Exhibit B)		$ 3 236 115

The Notes to Financial Statements are an integral part of this statement.

CHRISTIAN CHILDREN'S FUND, INC.

STATEMENT OF CHANGES IN RESTRICTED FUND BALANCES

For the Fiscal Year Ended June 30, 1973

	Fund Balances, July 1, 1972
CHILD CARE PROGRAM SERVICES	
Daniel A. Poling Memorial Home, construction and expenses	$ 24 527
Alwaye Settlement, construction and equipment	2 166
Vietnam Project, child welfare center	27 265
American Indian child (Mrs. Ford Stewart)	805
Chinese blind children (J. Y. Downman Estate)	70 992
Hong Kong and Italy projects (E. R. Halle Estate)	18 541
Refugee children in India	38 219
Korean orphans	120
Undesignated children	-
Children's Garden, Philippines	-
Korean sufferers (Estate of Laura M. Saylor)	-
Special gift to Tetecalito Cuidal del Nino Campesino, Mexico	-
Sing Wha Won Project, Korea	-
Nazareth Home	-
Education of a foster child	-
American Indians	-
Brazil	-
Germany	-
India	-
Indochina	-
Indonesia	-
Israel	-
Korea	-
Mexico	-
Nicaragua	-
Nigeria	-
Philippines	-
Portugal	-
Taiwan	-
Vietnam	-
TOTALS	$ 182 635

The Notes to Financial Statements are an integral part of this statement.

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Exhibit E

Additions	Deductions			
Revenue, Expendable only as Specified by Donor (Exhibit A)	Payments to Specified Recipients	Transfers to Land, Building and Equipment Fund, Unexpended Funds	Transfers to General Fund	Fund Balances, June 30, 1973
$ -	$ -	$ 19 664	$ -	$ 4 863
-	2 166	-	-	-
-	-	-	-	27 265
-	805	-	-	-
5 217	54 000	-	-	22 209
2 925	20 000	-	-	1 466
2 610	38 757	-	-	2 072
-	-	-	120	-
1 200	450	-	-	750
11 141	11 141	-	-	-
58 666	-	-	-	58 666
4 171	4 171	-	-	-
1 000	1 000	-	-	-
100	100	-	-	-
2 029	-	-	-	2 029
23 894	5 205	-	-	18 689
25	-	-	-	25
2	-	-	-	2
1 112	-	-	-	1 112
29	-	-	-	29
82	-	-	-	82
10	-	-	-	10
1 136	1 000	-	120	16
149	-	-	-	149
35	-	-	-	35
1	-	-	-	1
208	-	-	-	208
3 500	1 750	-	1 750	-
25	-	-	-	25
608	-	-	-	608
$ 119 875	$ 140 545	$ 19 664	$ 1 990	$ 140 311

CHRISTIAN CHILDREN'S FUND, INC.

STATEMENT OF CHANGES IN LAND, BUILDING AND EQUIPMENT FUND BALANCES

For the Fiscal Year Ended June 30, 1973

Exhibit F

	Unexpended Funds	Equity in Land, Buildings and Equipment
FUND BALANCES, July 1, 1972	$ 252 505	$ 4 401 183
To reinstate cost of Clear Springs property, Hong Kong, removed in error in prior year	-	4 000
ADJUSTED FUND BALANCES, July 1, 1972	$ 252 505	$ 4 405 183
Add:		
Contributions received for Christian Children's Fund home construction	7 640	-
Grants from local governments for Christian Children's Fund home construction	538	-
Interest earned	1 068	-
Gain on foreign exchange	1 255	-
Transfers from:		
Restricted Fund	19 664	-
Unexpended Funds (Schedule 6)	-	157 837
Expenditures for equipment from General Fund, net	-	42 253
Totals	$ 282 670	$ 4 605 273
Deduct:		
Transfers to:		
General Fund	$ 87 967	$ -
Equity in land, buildings and equipment	157 837	-
Payment of Korea Speculation Control Tax	7 646	-
Book value of properties sold:		
10 South Third Street, Richmond, Virginia, land and building	-	100 034
Hong Kong staff quarters	-	47 985
Clear Springs property, Hong Kong	-	4 000
Book value of properties divested:		
Hong Kong:		
Clarke Children's Home	-	237 748
Pine Hill Babies' Home	-	184 144
India:		
Alwaye Settlement, Alwaye	-	135 006
Japan:		
Hiroyasu Aijien, Kamimashiki-gun, Kumamoto	-	69 504
Airen-En Home, Yonabaru, Okinawa	-	40 047
Korea:		
Pusan Health Home, Pusan	-	213 947
Seoul Choong Hyun Babies' Home, Seoul	-	25 113
Total Deductions	$ 253 450	$ 1 057 528
FUND BALANCES, June 30, 1973	$ 29 220	$ 3 547 745

The Notes to Financial Statements are an integral part of this statement.

CHRISTIAN CHILDREN'S FUND, INC.

STATEMENT OF CHANGES IN ENDOWMENT FUND BALANCES

For the Fiscal Year Ended June 30, 1973

Exhibit G

	Unexpended Income	Endowment Principal	Total
FUND BALANCES, July 1, 1972	$ -	$ 137 987	$ 137 987
Add:			
Transfer of Goodwill Education Trust Fund	2 458	9 879	12 337
Investment income	501	-	501
Interest income	3 742	-	3 742
Totals	$ 6 701	$ 147 866	$ 154 567
Deduct:			
Grant to Alwaye Settlement, Alwaye, India, upon divestment	$ -	$ 70 387	$ 70 387
Transfers to General Fund	2 334	2 342	4 676
Payments to designated children	182	-	182
Total Deductions	$ 2 516	$ 72 729	$ 75 245
FUND BALANCES, June 30, 1973 (To Exhibit B)	$ 4 185	$ 75 137	$ 79 322

The Notes to Financial Statements are an integral part of this statement.

CHRISTIAN CHILDREN'S FUND, INC.

STATEMENT OF CHANGES IN FUND BALANCES - FUNDS FUNCTIONING AS ENDOWMENT

For the Fiscal Year Ended June 30, 1973

Exhibit H

JUDGE JESSE W. DILLON MEMORIAL SCHOLARSHIP FUND

	Unexpended Income	Endowment Principal	Total
FUND BALANCES, July 1, 1972	$ -	$ -	$ -
Add:			
Transfer from General Fund	-	10 674	10 674
Interest income	460	-	460
FUND BALANCES, June 30, 1973 (To Exhibit B)	$ 460	$ 10 674	$ 11 134

The Notes to Financial Statements are an integral part of this statement.

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CHRISTIAN CHILDREN'S FUND, INC.

STATEMENT OF CHANGES IN GOODWILL EDUCATION TRUST FUND BALANCE

For the Fiscal Year Ended June 30, 1973

Exhibit I

FUND BALANCE, July 1, 1972	$ 12 337
Deduct transfer to Endowment Fund	(12 337)
FUND BALANCE, June 30, 1973 (Note 8)	$ -

The Notes to Financial Statements are an integral part of this statement.

CHRISTIAN CHILDREN'S FUND, INC.

GRANTS TO ASSOCIATED HOMES AND PROJECTS

For the Fiscal Year Ended June 30, 1973

Schedule 1

Argentina	$ 47 251
Austria	37 870
Bangladesh	37 707
Belgium	3 019
Bolivia	96 950
Brazil	445 541
Burma	14 224
Burundi	14 843
Canada	5 657
Ceylon	89 566
Chile	104 913
Colombia	123 663
Costa Rica	20 869
Ecuador	27 192
Egypt	3 674
El Salvador	55 457
England	10 010
Ethiopia	15 038
France	49 611
Greece	63 950
Guatemala	221 597
Haiti	52 514
Honduras	17 234
Hong Kong	1 153 835
India	2 335 312
Indonesia	210 247
Iran	2 344
Israel	87 323
Italy	56 038
Jamaica	25 690
Japan	225 665
Kenya	32 298
Korea	1 126 272
Lebanon	96 823
Macao	12 568
Malagasy	2 787
Malaysia	40 430
Mexico	1 341 229
Netherlands	4 911
Nigeria	31 119
Pakistan	93 865
Paraguay	4 878

(Continued)

CHRISTIAN CHILDREN'S FUND, INC.

GRANTS TO ASSOCIATED HOMES AND PROJECTS

For the Fiscal Year Ended June 30, 1973

Schedule 1
(Concluded)

Peru	$ 10 727
Philippines	1 186 377
Portugal	7 027
Puerto Rico	24 030
Rhodesia	4 657
Rwanda	12 571
Scotland	3 598
Singapore	25 652
South Africa	17 117
Spain	12 023
Swaziland	5 569
Taiwan	182 370
Thailand	270 899
Turkey	19 175
Uganda	15 753
United States	563 430
Uruguay	6 519
Vietnam	92 456
West Germany	37 696
TOTAL (To Exhibit C)	$10 939 630

The Notes to Financial Statements are an integral part of this schedule.

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CHRISTIAN CHILDREN'S FUND, INC.

EXPENDITURES, FAMILY HELPER PROJECTS OPERATED BY
CHRISTIAN CHILDREN'S FUND, INC.

For the Fiscal Year Ended June 30, 1973

Schedule 2

Brazil:		
1^{o} de Maio	$ 271 143	
Alvorada	6 244	
Cabana	184 122	
Flamingo	245 521	
Governador Valadares	244 705	
Jardim Iracema	75 314	
Rondon	17 307	
Sao Domingo	245 063	
Sao Vicente	220 123	
Vista Alegre	244 244	$ 1 753 786
Japan:		
Tokyo		52 941
Korea:		
Chongju	$ 69 807	
Choon Chun	88 689	
Chunju	96 055	
Kangneung	75 827	
Kwangju	104 361	
Seoul	177 448	
Taejon	99 886	712 073
Taiwan:		
Camping project	$ 9 016	
Changhua	127 090	
Chiayi	104 359	
Fengyuan	75 729	
Hsinchu	89 391	
Hsinyung	76 224	
Hualien	83 182	
Kangshan	82 335	
Kaohsiung	145 070	
Keelung	123 579	
Kinmen	44 458	
Matsu Island	18 297	
Miaoli	79 480	
Nantou	109 606	
Panchiao	105 909	
Pescadores Island	56 337	
Pingtung	102 266	
Taichung	135 478	
Taichung Day Care Center	3 453	

(Continued)

CHRISTIAN CHILDREN'S FUND, INC.

EXPENDITURES, FAMILY HELPER PROJECTS OPERATED BY CHRISTIAN CHILDREN'S FUND, INC.

For the Fiscal Year Ended June 30, 1973

Schedule 2
(Concluded)

Taiwan: (Concluded)		
Tainan	$ 135 927	
Taipei	132 671	
Taitung	82 971	
Taoyuan	101 333	
Yilan	118 729	
Yunlin	96 774	$ 2 239 664
United States:		
Park Hill, Oklahoma		730 961
TOTAL (To Exhibit C)		$ 5 689 625

The Notes to Financial Statements are an integral part of this schedule.

CHRISTIAN CHILDREN'S FUND, INC.

EXPENDITURES, HOMES OPERATED BY CHRISTIAN CHILDREN'S FUND, INC.

For the Fiscal Year Ended June 30, 1973

Schedule 3

Hong Kong:		
C.C.F. Children's Hostel	$ 1 331	
Clarke Children's Home	64 929	
Pine Hill Babies' Home	59 024	$ 125 284
India:		
Alwaye Settlement, Alwaye		65 393
Japan:		
Airen-En, Yonabaru, Okinawa	$ 70 729	
Bott Memorial Home, Setagaya-ku, Tokyo	87 203	
Hiroyasu Aijien, Kamimashiki-gun, Kumamoto	45 398	203 330
Korea:		
Nam Book Ae Yook Won, Seoul	$ 75 117	
Pusan Health Home, Pusan	60 645	135 762
Portugal:		
Lar Evangelico Portugues, Porto		62 775
Taiwan:		
Daniel A. Poling Memorial Home, Taichung	$ 52 870	
Ta Tung Children's Home, Taipei	35 411	
Taichung Christian Herald Children's Home, Taichung	39 223	127 504
TOTAL (To Exhibit C)		$ 720 048

The Notes to Financial Statements are an integral part of this schedule.

CHRISTIAN CHILDREN'S FUND, INC.

EXPENDITURES, FIELD SUPERVISION - CHILD CARE PROGRAM

For the Fiscal Year Ended June 30, 1973

Schedule 4

FIELD OFFICES		
Argentina:		
Buenos Aires		$ 73 232
Brazil:		
Belo Horizonte	$ 218 920	
Fortaleza	48 965	267 885
England:		
Ipswich		41 633
Guatemala:		
Guatemala City		42 871
Hong Kong:		
Hong Kong		185 427
India:		
Bangalore	$ 187 755	
New Delhi	44 820	232 575
Indonesia:		
Jakarta		75 850
Japan:		
Tokyo		60 572
Kenya:		
Nairobi		62 097
Korea:		
Seoul		161 559
Mexico:		
Mexico City		161 219
Philippines:		
Manila		123 076
Taiwan:		
Taichung		142 358
Vietnam:		
Saigon		97
TOTAL (To Exhibit C)		$ 1 630 451

The Notes to Financial Statements are an integral part of this schedule.

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CHRISTIAN CHILDREN'S FUND, INC.

MANAGEMENT AND GENERAL EXPENDITURES

For the Fiscal Year Ended June 30, 1973

	D E		
	Executive Director	Finance	Overseas Operations
Salaries	$ 51 877	$ 79 068	$ 72 249
Printing, stationery and supplies	-	13	120
Payroll taxes	2 385	3 674	3 002
Taxes, other	-	-	-
Travel	8 957	10	31 635
Conferences and meetings	-	-	206
Hospitalization insurance	1 574	4 247	3 999
Dues and subscriptions	161	282	426
Automobile and truck expense	-	-	100
Picture reproduction	-	-	188
Equipment rentals	-	-	-
Rent	-	-	-
Legal services	-	-	-
Auditing fees	-	-	-
Contract service payments	-	731	10 029
Entertainment	16	-	518
Repairs and maintenance, equipment	-	-	-
Repairs and maintenance, building	-	-	-
Freight	-	-	31
Heat, light and water	-	-	-
Telephone and cables	29	-	173
Insurance, other	-	-	3 194
Postage	-	-	148
Education supplies and expenses	-	-	1 585
Training program expense	-	102	262
Staff quarters expense	-	-	7 969
Employees' pension plan expense	-	-	-
Janitor supplies and services	-	-	-
Furniture and fixtures expenditures	-	338	555
Land and building expenditures	-	-	-
Miscellaneous	2	131	77
TOTALS	$ 65 001	$ 88 596	$ 136 466

The Notes to Financial Statements are an integral part of this schedule.

Schedule 5

PARTMENTS					
Data Processing	Sponsored Services	Research and Planning	Internal Audit	Other Administrative Expenses	Total
$ 171 600	$ 509 235	$ 37 209	$ 40 301	$ 61 745	$ 1 023 284
55 054	34	-	12	79 726	134 959
9 065	30 819	1 560	1 781	3 919	56 205
-	-	-	-	2 086	2 086
2 243	454	6 258	846	4 204	54 607
-	-	-	-	10 999	11 205
6 676	22 182	1 575	1 096	2 408	43 757
200	8	116	105	14 835	16 133
-	-	-	-	439	539
-	1 390	-	-	1 704	3 282
229 444	34 304	-	-	3 786	267 534
-	-	-	-	1 551	1 551
-	-	-	-	23 593	23 593
-	-	-	-	10 900	10 900
2 177	33 231	-	-	13 667	59 835
-	7	-	-	-	541
145	16	-	-	9 506	9 667
-	-	-	-	21 328	21 328
3 136	207	-	-	308	3 682
-	-	-	-	30 302	30 302
45	-	-	-	14 626	14 873
-	-	-	300	6 428	9 922
-	-	-	-	208 381	208 529
66	-	-	-	-	1 651
3 520	-	120	99	-	4 103
-	-	-	-	-	7 969
-	-	-	-	223 121	223 121
-	-	-	-	4 902	4 902
13 272	25 187	-	61	4 402	43 815
-	-	-	-	28 425	28 425
9	-	3	5	2 213	2 440
$ 496 652	$ 657 074	$ 46 841	$ 44 606	$ 799 504	$ 2 324 740

(To Exhibit C)

CHRISTIAN CHILDREN'S FUND, INC.

LAND, BUILDING AND EQUIPMENT FUND EXPENDITURES

For the Fiscal Year Ended June 30, 1973

Schedule 6

CHILD CARE PROGRAM (To Exhibit C)		
India:		
Alwaye Settlement, construction	$ 10 361	
Bangalore Field Office, construction	41 673	$ 52 034
Japan:		
Hiroyasu Aijien, construction		14 266
Kenya:		
Nairobi Field Office, purchase of land and building		38 997
Korea:		
Sae Dol Won Home, purchase of land	$ 12 384	
Seoul Field Office, construction	132	12 516
Taiwan:		
Daniel A. Poling Memorial Home, construction	$ 11 062	
Taichung Field Office, construction	537	11 599
Total, Child Care Program		$ 129 412
MANAGEMENT AND GENERAL (To Exhibit C)		
Home Office, Richmond, Virginia:		
Architect's fee	$ 3 124	
Building construction, 203 East Cary Street	25 301	28 425
TOTAL EXPENDITURES, LAND, BUILDING AND EQUIPMENT FUND (To Exhibit F)		$ 157 837

The Notes to Financial Statements are an integral part of this schedule.

CHRISTIAN CHILDREN'S FUND, INC.

GENERAL FUND CASH

June 30, 1973

Schedule 7

GENERAL FUND		
Home Office:		
Bank of Virginia, Richmond, Virginia:		
Operating account	$ 391 565	
Master investment account, bearing interest at fluctuating rates equivalent to commercial paper, withdrawable on demand	2 590 000	
Foreign collections in process	271	
Central National Bank, Richmond, Virginia:		
Operating account	512	
Payroll account	5 000	
Southern Bank and Trust Company, Richmond, Virginia, time deposits	102 507	
Heritage Savings and Loan Association, Richmond, Virginia, time deposit	23 197	
Petty cash	448	$ 3 113 500
Trust deposits, Japan		25 502
Working funds, Branch Office, Copenhagen		12 913
Cash with Field Offices		121 635
Cash with homes operated by Christian Children's Fund, Inc.		29 004
Cash with Family Helper Projects operated by Christian Children's Fund, Inc.		94 609
TOTAL CASH, GENERAL FUND (To Exhibit B)		$ 3 397 163

The Notes to Financial Statements are an integral part of this schedule.

CHRISTIAN CHILDREN'S FUND, INC.

SECURITIES OWNED, GENERAL FUND

June 30, 1973

Schedule 8

	Number of Shares	Current Market Value	Carrying Value
COMMON STOCKS			
American Telephone and Telegraph Company	1 000	$ 51 125	$ 49 602
Black and Decker Manufacturing Company	1 560	170 040	62 092
Boston Edison Company	285	9 369	7 487
Crum and Forster	2 000	51 250	69 565
Dayton Power and Light Company	300	6 750	5 594
Eastman Kodak Company	572	78 078	19 892
Ethyl Corporation	2 000	54 000	42 362
Exxon Corporation	1 000	98 500	61 573
Federal National Mortgage Association	2 000	32 750	49 978
General Mills, Inc.	1 000	54 750	36 370
General Motors Corporation	800	53 200	57 027
Hoover Company	4 000	80 000	71 155
International Business Machines Corporation	375	118 875	68 358
International Telephone and Telegraph Co.	1 000	30 375	49 512
Kennecott Copper Corporation	600	14 850	15 393
Mechanical Technology, Inc.	200	1	1
Mobil Oil Corporation	400	25 750	8 505
Newmont Mining Corporation	2 500	61 563	56 320
Norton Simon, Inc.	3 150	78 750	71 878
Pan American World Airways	2 000	14 750	37 136
Phillips Petroleum Company	2 000	106 000	60 680
Polaroid Corporation	400	54 900	42 996
R.C.A. Corporation	2 000	46 500	67 542
R. J. Reynolds Industries, Inc.	2 000	88 000	110 930
Reynolds Metals Corporation	1 500	19 500	36 961
Sterling Drug Company	1 350	44 719	16 682
Taft Broadcasting	1 500	38 625	62 766
Texaco, Inc.	720	24 660	22 313
Virginia Electric and Power Company	1 000	19 625	17 979
Westinghouse Electric Corporation	400	14 000	10 655
White Consolidated Industries, Inc.	2 100	26 250	42 915
F. W. Woolworth Company	1 000	21 625	29 933
Total Common Stocks		$ 1 589 130	$ 1 362 152
PREFERRED STOCKS			
Sun Oil Company, $2.25 Pfd	800	$ 35 200	$ 45 856
Virginia Electric and Power Co., $5.00 Pfd.	100	6 750	10 650
Total Preferred Stocks		$ 41 950	$ 56 506

(Continued)

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CHRISTIAN CHILDREN'S FUND, INC.

SECURITIES OWNED, GENERAL FUND

June 30, 1973

Schedule 8
(Concluded)

	Interest Rate	Due Date	Current Market Value	Carrying Value
BONDS				
U. S. Savings Bond, Series "E", original cost			$ 31	$ 19
Chase Manhattan Bank	4.875%	5- 1-93	87 000	98 000
Commercial Credit Corporation	7.750%	2- 1-92	149 625	148 500
Firestone Tire and Rubber Co.	7.300%	10-15-01	147 375	150 395
MacMillan Bloedel, Ltd.	6.500%	7-15-92	85 000	100 000
Phelps Dodge Corporation	8.100%	6-15-95	155 625	152 479
Texaco, Inc.	7.750%	6- 1-0[illegible]	204 500	200 387
Transcontinental Gas Pipe Line Corporation	6.250%	11- 1-86	82 571	96 515
Total Bonds			$ 911 727	$ 946 295
TOTAL SECURITIES OWNED GENERAL FUND (To Exhibit A)			$ 2 542 807	$ 2 364 953

The Notes to Financial Statements are an integral part of this schedule.

CHRISTIAN CHILDREN'S FUND, INC.

LAND, BUILDINGS AND EQUIPMENT OWNED - LAND, BUILDING AND EQUIPMENT FUND

June 30, 1973

Schedule 9

LAND AND BUILDINGS		
Home Office:		
Office buildings, Richmond, Virginia	$ 1 064 242	
Land	382 607	$ 1 446 849
Brazil:		
Brazil Office, Belo Horizonte	$ 47 395	
Staff quarters, Belo Horizonte	25 199	72 594
England:		
European Office, Ipswich		28 834
Hong Kong:		
C.C.F. Alumni House (Footnote 1)	$ 10 937	
Hong Kong Office (Footnote 1)	43 421	54 358
India:		
India Office, Bangalore	$ 82 928	
Dehra Dun Christian Mission Home for Children, Dehra Dun	43 854	126 782
Japan:		
Staff quarters, Tokyo	$ 3 166	
Bott Memorial Home, Setagaya-ku, Tokyo	109 752	112 918
Kenya:		
Africa Office, Nairobi		38 998
Korea:		
Staff quarters, Seoul	$ 89 483	
Korea Office, Seoul	79 653	
Christian Children's Home, Anyang (Footnote 2)	62 729	
Light House, Pusan	12 225	
Nam Book Ae Yook Won, Seoul	358 565	
Orphans' Home of Korea, Seoul	52 010	
Sae Dol Won, Pusan	144 732	799 397
Lebanon:		
Ainjar Settlement, Ainjar		17 597
Portugal:		
Lar Evangelico Portugues, Porto		134 674
Puerto Rico:		
El Hogar del Nino, Rio Piedras		77 650

(Continued)

CHRISTIAN CHILDREN'S FUND, INC.

LAND, BUILDINGS AND EQUIPMENT OWNED - LAND, BUILDING AND EQUIPMENT FUND

June 30, 1973

Schedule 9
(Concluded)

LAND AND BUILDINGS (Concluded)		
Taiwan:		
Taiwan Office	$ 90 302	
Daniel A. Poling Memorial Home, Taichung	111 918	
Ta Tung Children's Home, Taipei	62 850	
Taichung Christian Herald Children's Home, Taichung	76 625	$ 341 695
Total Land and Buildings (To Exhibit B)		$ 3 252 346
FURNITURE, FIXTURES AND EQUIPMENT, Home Office (To Exhibit B)		295 399
TOTAL LAND, BUILDINGS AND EQUIPMENT OWNED		$ 3 547 745

FOOTNOTES

1. Land held under Crown lease.
2. Title to land restricted to area occupied by fifteen cottages erected by Christian Children's Fund, Inc.

The Notes to Financial Statements are an integral part of this schedule.

CHRISTIAN CHILDREN'S FUND, INC.

RECEIPTS AND REMITTANCES OF FUNDS FROM DONORS FOR DELIVERY AS PERSONAL GIFTS TO DESIGNATED CHILDREN

For the Fiscal Year Ended June 30, 1973

Schedule 10

UNREMITTED BALANCE, July 1, 1972	$ 123 823
Add designated gifts received during the year	1 722 034
Total	$ 1 845 857
Deduct designated gifts remitted to children during the year	1 703 851
UNREMITTED BALANCE, June 30, 1973	$ 142 006

The Notes to Financial Statements are an integral part of this schedule.

CHRISTIAN CHILDREN'S FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 1973

1. ACCOUNTING POLICIES

SUMMARY OF FINANCIAL ACTIVITIES - Exhibit A includes the total public support and revenue applicable to the fiscal year ended June 30, 1973. Exhibit A also presents the total expenditures of Christian Children's Fund, Inc., including expenditures for land, buildings, furniture and equipment for use by the Organization. Such acquisitions, with the exceptions of furniture, fixtures, motor vehicles and other equipment in foreign countries, are included as assets of the Land, Building and Equipment Fund.

Support from the public, shown in Exhibit A as received directly, represents amounts actually received. Support from the public, shown in Exhibit A as received indirectly, represents amounts actually received or due; however, related fund-raising expenses of the remitting organizations are not reflected.

FOREIGN EXCHANGE ADJUSTMENTS - Cash balances of General Fund, Custodian Fund, and Land, Building and Equipment Fund in foreign banks, as well as other current assets and liabilities, have been adjusted to published foreign exchange rates as of June 30, 1973. Total gains on foreign exchange for the year then ended amounted to $20,771, which is included in Exhibit A.

2. BOTT MEMORIAL HOME DIVESTMENT

Christian Children's Fund, Inc., is in the process of divesting Bott Memorial Home, Japan. As of June 30, 1973, Christian Children's Fund, Inc., had a net investment of $141,845 in the home, of which $41,292 was cash. In July, 1973, these assets were transferred to the home's new juridical body.

3. MORTGATE NOTE RECEIVABLE

The mortgage note receivable resulted from the sale of land and building at 10 South Third Street, Richmond, Virginia, and is secured by a deed of trust on the property. Payments of $2,208 are due quarterly, and apply to principal and interest at 8%. Final payment is due in 1992.

4. SECURITIES

Securities acquired by gift are stated at values established by Christian Children's Fund, Inc., management as representing fair market value at dates of acquisition. Purchased securities are stated at cost.

5. RESTRICTED CASH

The restricted cash included in the Land, Building and Equipment Fund consists of cash on deposit at the Korea Trust Bank, Korea, and is restricted by the government of Korea to acquisition of land and building for welfare purposes in Korea.

6. LAND, BUILDINGS AND EQUIPMENT

Donated properties are assigned values by the Organization's management as representing fair market values at date of acquisition. Purchased properties are stated at cost.

7. CONTINGENT LIABILITIES

Balances of contractual obligations for additions to the Home Office, the Bangalore Field Office, and the Daniel A. Poling Memorial Home amounted to approximately $44,300 at June 30, 1973.

8. GOODWILL EDUCATION TRUST FUND

The Goodwill Education Trust Fund, consisting of assets held in trust by the First and Merchants National Bank, Richmond, Virginia, was transferred to the Endowment Fund in September, 1972. Income of the trust is restricted to payment for education of children in Hong Kong, with the trust principal to revert to Christian Children's Fund, Inc., upon the termination of its program in Hong Kong. Income and expenditures of the trust are included on Exhibit A.

9. PENSION PLAN

Christian Children's Fund, Inc., adopted a non-contributory pension plan for qualified employees on April 25, 1972. The plan was accepted as a qualified plan by the Internal Revenue Service on May 30, 1973.

The provision for retirement benefits under the plan for the fiscal year ended June 30, 1973, was as follows:

Current service	$ 106 732
Past service	116 389
Total	$ 223 121

The unfunded past service cost as of June 30, 1973, is estimated to be approximately $350,000; this amount will be funded over the next three years.

Senator MONDALE. We now stand adjourned.

[Whereupon, at 12:40 p.m., the hearing was adjourned.]

==

APPENDIX

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(1357)

GAO Report on Five Children's Charities

FORWARD

This document contains information on the activities of five voluntary foreign aid agencies. These five agencies were selected by the Senate Labor and Public Welfare Subcommittee on Children and Youth for examination by the United States General Office as part of a review of the United States Voluntary Foreign Aid Program undertaken at the request of the Subcommittee.

The information, which was compiled by members of the GAO audit staff assigned to carry out the review, is being provided for the use of the staff of the Subcommittee.

INDEX

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RESPONSES TO SPECIFIC SUBCOMMITTEE QUESTIONS	A
AMERICAN-KOREAN FOUNDATION	B
CHRISTIAN CHILDREN'S FUND	C
FOSTER PARENTS PLAN	D
HOLT ADOPTION PROGRAM	E
SAVE THE CHILDREN FEDERATION	F

ABBREVIATIONS

AID	Agency for International Development
AKF	American-Korean Foundation, Inc.
CCF	Christian Children's Fund, Inc.
CDF	Community Development Foundation, Inc.
FPP	Foster Parents Plan, Inc.
GAO	General Accounting Office
HAP	Holt Adoption Program, Inc.
HCS	Holt Children's Services
HICF	Holt International Children's Fund, Inc.
SCF	Save the Children Federation, Inc.
VOLAG	Voluntary agency

RESPONSES TO SPECIFIC SUBCOMMITTEE QUESTIONS

TAB A

RESPONSES TO SPECIFIC SUBCOMMITTEE QUESTIONS

The following sections discuss four major questions raised by the Subcommittee on Children and Youth. These questions, in our opinion, are ones the Advisory Committee should be able to answer if it is adequately carrying out its charter responsibilities. Our responses to these questions are limited to the five voluntary agencies the Subcommittee selected for review:

American-Korean Foundation, Inc. (AKF)
Christian Children's Fund, Inc. (CCF)
Foster Parents Plan, Inc. (FPP)
Holt Adoption Program, Inc. (HAP)
Save the Children Federation, Inc. (SCF)

HOW DO THE VOLUNTARY AGENCIES USE THEIR RESOURCES?

Most of the voluntary agencies rely primarily on public support (contributions) to operate their programs. The one exception is the Holt Adoption Program which collects nearly one-half of its operating income from adoption processing fees. The following schedule shows the major categories and amounts of receipts in fiscal year 1973.

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RECEIPTS FOR FISCAL YEAR 1973

	AKF	CCF[2]	FPP[3]	HAP[4]	SCF
Contributions and bequests	$2,271,671	$22,364,885	$10,394,932	$ 722,862	$6,129,890
Gifts for designated children[1]	11,617	1,722,034	1,650,121	4,973	150,549
Fees	--	--	--	1,901,419	--
Investment income	19,977	239,851	64,221	20,665	63,653
Government support (U.S. and foreign)	48,221	162,969	32,329	31,902	--
Sale of assets	--	357,097	(7,510)	59,236	736,500[a]
Other	15,218	43,625	--	168,692[b]	4,657
Total	$2,366,704	$24,890,461	$12,134,093	$2,909,749	$7,085,249

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[1] Includes amounts sent to AKF for transmittal to designated orphanages and other non-AKF projects.

[2] Includes $1,379,929 received indirectly from Christian Children's Fund of Canada.

[3] Includes $3,559,089 collected by FPP of Australia and Canada.

[4] Includes $1,146,475 collected by Holt Children's Services of Korea, a HAP subsidiary.

[a] Sale of clothing.

[b] Includes $150,000 mortgage proceeds.

Expenditures by the voluntary agencies can generally be broken down into three categories--program services, management and general (administration), and fund raising. Field office expenses and capital expenditures are also sometimes identified separately. Program service expenditures vary from one organization to the next depending on the type of services rendered. The services performed by each of the agencies we reviewed are described in tabs B through F.

Management and general costs generally include expenditures for overall direction of the organization, general record keeping, business management, budgeting, general board activities, and related purposes. Voluntary agencies sometimes report these costs differently. For example, one agency we reviewed classifies all audit fees as an administrative expense while another allocates its fees to program services and fund raising as well as management and general.

Fund raising costs include expenditures for soliciting contributions and the salaries of personnel connected with such campaigns. Four of the voluntary agencies reviewed clearly identify these costs in their financial reports. The fifth agency reported all of these costs in its fiscal year 1973 financial reports but classified $109,000 of these costs as a reduction of income rather than as fund raising expenditures. This $109,000 represented the cost of fund-raising relative to $702,000 in contributions through the Combined Federal Campaign. The reporting of this cost as a reduction of the $702,000 income rather than as fund-raising expenditures resulted in fund-raising costs reported to the Advisory Committee being understated.

Field office operating expenses were also treated differently by the agencies we reviewed. SCF classifies all field office costs as program expenditures without identifying how any of the program expenditures are used. Both AKF and CCF classify these costs as program services but identify them as separate items in their financial statements. FPP reports the administrative portion of their field office costs as supporting costs, not program costs. HAP labels overseas administrative expenditures it makes in the United States but does not identify field office expenditures made by its overseas subsidiaries.

Expenditures for capital assets (land, building, equipment, furniture, and fixtures) can also be significant in some years. For example, CCF expended over $365,000 and HAP over $180,000 for capital assets in fiscal year 1973. The CCF figure excludes furniture, fixtures, and equipment purchased in foreign countries; the HAP figure excludes all assets purchased overseas. One of HAP's subsidiaries, ~~HCS of Korea~~, spent over $136,000 for capital assets in fiscal year 1973.

AKF does not report capital assets in its financial statements but owns about $175,000 worth of land and buildings in Korea. The following schedule shows the amount of land, buildings, and other capital assets owned by the other voluntary agencies at the end of fiscal year 1973. The amounts shown are at cost less accumulated depreciation except for CCF which does not record depreciation.

CCF	$3,547,745
FPP	829,298
HAP	345,839
SCF	625,946

The following table summarizes the five voluntary agencies' expenditures for fiscal year 1973:

EXPENDITURES FOR FISCAL YEAR 1973

	AKF[1]	CCF	FPP[2]	HAP[3]	SCF
Program Services	$1,585,792	$18,967,658	$ 8,814,284	$2,159,253	$3,773,001
Field Office Operations	85,480	1,411,626	924,370	151,918	768,308
Administration	121,470	2,252,500	1,794,913	123,873	594,386
Fund Raising	445,865	2,390,180	561,970	77,580	781,013
Capital Expenditures	-	365,566	252,952	328,134	103,003
Other	-	-	-	37,367	777,317[a]
Total	$2,238,607	$25,387,530	$12,348,489	$2,878,125	$6,797,008

[1] Includes $109,000 in fund-raising costs relative to contributions received through the Combined Federal Campaign. AKF had reported this cost as a deduction of income.

[2] Includes expenditures of FPP of Australia and Canada.

[3] Includes expenditures of Holt Children's Services of Korea and Vietnam.

[a] Grant to Community Development Foundation, Inc.

The following table expresses the fiscal year 1973 expenditures in percentages. Except for separately identifying field office operation costs and capital expenditures, the percentages are based on the voluntary agencies' classification of expenses.

	AKF	CCF	FPP	HAP	SCF
Program services	70.9	74.7	72.9	75.0	63.8
Field office operations	3.8	5.6	7.7	5.3	13.0
Administration	5.4	8.9	14.8	4.3	10.0
Fund raising	19.9	9.4	4.6	2.7	13.2
Capital expenditures	-	1.4	-	11.4	-
Other	-	-	-	1.3	[a]
Total	100.0	100.0	100.0	100.0	100.0

[a] Excludes grant to Community Development Foundation, Inc.

Employee salaries were generally a significant part of each agencies' total expenditures and total administrative costs. Management personnel salary ranges for the five agencies are shown below. Some of these salary costs are classified as program costs by some agencies. Not all agencies had all positions and some had several employees in comparable positions.

Executive Director	$18,787 to $35,700
Deputy/Associate Director	$16,560 to $25,000
Comptroller/Business Manager	$11,100 to $26,500
Public Relations/Information	$13,000 to $18,965
Other executive positions	$10,954 to $23,500
Overseas Directors	$ 3,360 to $20,000

DO THE VOLUNTARY AGENCIES USE THEIR RESOURCES EFFECTIVELY AND IN THE PUBLIC INTEREST?

The stated objectives of the voluntary agencies, with the exception of HAP, are very general and cover a wide range of activities. HAP's primary objective is very specific and limited in scope. All of the voluntary agencies were clearly accomplishing some of their objectives. However, none of the agencies regularly establish clearly measureable goals which could be used to evaluate progress in accomplishing overall objectives although there were isolated projects in some countries with quantified goals.

AKF's objectives include helping in the achievement of educational, agricultural, health, rehabilitation, economic, and general welfare programs for the Republic of Korea and Southeast Asia.

AKF was helping to bring better health to the Korean people by providing financial support to the Seagrave Memorial Hospital, assisting with other health projects, and obtaining donated medical supplies for hospitals and clinics.

The only measureable goal identified to us by AKF officials was for the Seagrave Memorial Hospital project to become financially independent by 1978. AKF representatives reported that they are making rapid progress towards this goal and that the number of patients treated during 1973 increased from 23,000 to 32,000. Another 18,000 patients were reported treated by two mobile clinics operated by AKF. These clinics provide instruction on disease prevention, sanitation, family planning, and maternal and child care as well as medical care.

Other program accomplishments reported by AKF for fiscal year 1973 include educational counseling of 2,500 students, agricultural training for 300 4-H Club members, awards of 121 4-H agricultural scholarships, and establishment of a prototype family medical insurance program covering over 9,000 family members.

CCF's objectives include soliciting contributions and transmitting such funds for the purpose of caring for indigent children of the world; cooperating with and assisting responsible child welfare institutions and agencies throughout the world.

We observed many children from poor families or without families receiving food, shelter, clothing, and education financed in part from CCF funds. CCF reports that about 188,000 children are receiving help in over 1,200 homes and projects in 62 countries.

FPP's objectives are to provide social services, financial aid, and material assistance to children and their needy families in countries that are unable to provide these forms of assistance themselves.

We observed many needy children and families receiving various types of assistance from FPP including cash grants, medical and dental care, educational assistance, vocational training, and social welfare counseling. We also visited community projects such as libraries that were partly funded by FPP. FPP reports that it assisted over 51,000 children in 11 countries in 1973.

HAP's objectives are to find homes for children without parents, improve the care of unadoptable children, and provide pre- and post-adoption counseling.

HAP reports that 2,859 children were placed in adoptive homes in 1973, bringing the total to nearly 13,000 since the program began. 1973 figures include 208 hard-to-place (older or handicapped) children. Other significant accomplishments by HAP and its subsidiaries in 1973 included counseling more than 700 mothers with unwanted babies and converting its orphanage into a paramedical rehabilitation center for children with severe physical handicaps and mental retardation.

SCF's objectives include initiating and helping to develop and operate programs for aid to children and the general improvement of their family and community life, through service to groups and individuals and through specific projects both in the United States and overseas.

We verified that a number of children were receiving cash grants from SCF and visited projects built or being constructed with SCF assistance. All children are required to attend school to be eligible for cash grants. Projects included bridges, schools, community centers, water systems, etc., which would benefit all people in the community.

None of the voluntary agencies had formal systems for periodically measuring the effectiveness of their programs. The agencies do make subjective evaluations but these are based principally on personal observations and judgement. Objective evaluations of goals against accomplishments could help the agencies identify marginal or unsuccessful projects that need either additional help or to be cancelled.

The lack of measurement systems or criteria for evaluating the effectiveness of agency programs also limits the Advisory Committee's ability to monitor how well the agencies are using public contributions.

FPP has recently started to make periodic in-country evaluations but they are still quite subjective and oriented more toward efficiency than effectiveness.

SCF has also recently developed an annual project evaluation system which will provide management with helpful information about projects but it is based on subjective evaluations.

Some of the voluntary agencies have undertaken projects which have not been fully successful but this is to be expected if an agency is to be innovative and try new approaches to accomplish its objectives.

We noted that one voluntary agency had not recognized its marginal projects and taken corrective action. This agency was continuing to support an affiliated project designed to feed and educate children even though these activities had been discontinued without the agency's knowledge several months before our visit. This and many other projects had not been visited by voluntary agency personnel for long periods of time (see Tab C).

DO THE VOLUNTARY AGENCIES DEAL WITH THE PUBLIC IN A FORTHRIGHT MANNER?

Some agencies were doing a better job than others of keeping their supporters accurately and promptly informed of their activities.

Communications between the agencies and the public were generally of three types. (1) advertisements and brochures designed to solicit contributions, (2) correspondence and reports of various types regarding specific children or projects being assisted, and (3) annual program and financial reports covering the entire agencies activities.

Fund raising material

All of the agencies rely heavily on support from the general public. The following table presents a comparison of general public support to total receipts for the agencies' latest fiscal year:

	Public support[a]	Total receipts	Percent
AKF	$ 2,283,288	$ 2,366,704	96
CCF	24,086,919	24,890,461	97
FPP	12,045,053	12,134,093	99
HAP	727,835	2,909,749	25
SCF	6,280,439	7,085,249	89

[a] Contributions, bequests, special gifts, and donated commodities.

Four of the agencies (AKF, CCF, FPP, and SCF) conduct advertising campaigns in magazines and other communications media. These advertisements generally feature pictures of children and, with the exception of AKF, ask the public to sponsor a needy child by providing a certain amount of money each month. The advertisements generally promise a photograph and case history of the child and the opportunity to correspond with the child through the agency.

AKF does not have a sponsorship program. Although many of its advertising brochures feature pictures of children, only a nominal percentage (about 17 percent) of AKF's total expenditures benefit persons under age 25. AKF's programs primarily provide aid to communities, clubs, hospitals, and other organizations rather than specific individuals.

One of AKF's recent brochures pictures two small children and is titled "Must one of these children be condemned to death?" "His chances are fifty-fifty." The brochure goes on to explain that in rural South Korea one-half of the infant population dies because of the lack of adequate medical care. The brochure also lists various medical services which can be provided for different amounts of money. For example, "$150 will pay a doctor's salary for one month." Other AKF documents point out that the infant mortality rate in the area where AKF works is about 25 to 30 per 1,000 children, not fifty percent, as stated in the brochure, and that the medical cost data was generally too low.

HAP does have a sponsorship program but does not normally advertise to obtain sponsors. It relies on direct inquiries and referrals from others who are familiar with HAP's work. Promotional material is provided to anyone requesting information about the program and special appeals are made by mail but only to those people who have expressed an interest in the program. HAP's literature, correspondence, and other material furnished the public appeared to be candid and generally accurate.

CCF, FPP, and SCF have basically the same type of advertising and sponsorship programs. Their advertisements feature case histories and photographs of needy children and appeal to the reader to sponsor a child.

CCF and SCF both use fictitious names in their advertisements to prevent the child from being identified and possibly subjected to publicity or loss of privacy. FPP uses real names but has discontinued identifying the child's country. CCF's advertisements have in the past used case histories that were sometimes several years old and were presented as if the child was still in need. CCF has changed its advertisements and current policy is to present such messages in the past tense and to say that the children described are representative of other children who are in need. The new advertisements also describe more fully how the children will be helped.

Although FPP's appeal is to sponsor a child, FPP's program is designed to assist the whole family. Advertisements being used in 1974 do make reference to assistance being provided the family, and other material furnished foster parents clearly describe that the money is used for the entire family. Other material used in fund raising was generally accurate and candid.

SCF's advertisements are captioned "You can help save (child's name) for $15 a month." Although the appeal here is also to sponsor a child, most of SCF's projects undertaken with new sponsorship funds are community development type projects. In a number of cases all of the money is sent to a child's community and he or she only benefits indirectly from the community project. Advertisements state that the money will help all the people in the community. After a donor becomes a sponsor he receives additional information about how the community projects operate.

Other communications regarding children or projects

The voluntary agencies with sponsorship programs all provide translation services for letters between sponsors and children. One agency (CCF) reviews the children's letters to prevent the children from asking the sponsor for gifts unless the sponsor has requested such information. This review is also to ensure that thank you letters are written by the child and that they acknowledge the gift.

CCF does not provide new donors with individual case histories of sponsored children. A series of brief histories have been prepared in advance and the one which approximately describes the child's actual circumstances is used.

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SCF sponsors are told which specific project they are helping to support. In some cases there may be significant periods of inactivity at the project and funds are either held back at SCF headquarters or are transferred by the field office to another project. At the end of fiscal year 1973, SCF's fund balance for payments yet to be made to children and projects totaled over $1.8 million, an increase of over $375,000 from the previous year. Delays in the use of sponsorship funds are not normally reported to donors. Similarly, funds have been transferred from one project to another without the sponsors being advised as to how the funds were used. SCF officials advised us that they are preparing more frequent and more descriptive project reports to the sponsors but do not intend to include such financial data.

Three of the agencies with sponsorship programs had occasional problems keeping sponsors informed promptly of changes such as when a child leaves the program.

Other reports

There were significant differences in the amount of information provided to the public about the overall operations of the voluntary agencies. FPP provided all sponsors with quite complete financial and substantial program data about the agencies' total activities. Its financial statement presented information for related organizations in other countries, expenditures by country, and an analysis of expenses by functional areas.

AKF's and HAP's annual reports are also quite informative but have less financial information. SCF provides sponsors with an annual report with very limited financial and program data. CCF does not

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prepare annual reports for the general public but does provide a brief summary of its financial statement to persons inquiring about how funds are used.

All of this additional material which we reviewed appeared to be generally factual.

IS THERE A VALID PUBLIC NEED FOR THE VOLUNTARY AGENCIES SERVICES?

The question of public need for services provided by the voluntary agencies is difficult to weigh objectively or to answer categorically. Certainly, a valid need for contributed goods or services can be found to a greater or lesser degree in nearly any country or society.

In most of the countries we visited, AID Mission or Embassy officials told us that available statistics on health, education, and welfare levels generally support the need for outside assistance to these countries. Government or voluntary agency officials also generally stated that if the voluntary agencies were to discontinue operations, the local governments would probably not continue the programs. Exceptions to this were Greece and Hong Kong where the Government or local people are assuming or are capable of assuming more of the responsibility for helping their people.

All of the voluntary agencies we visited have reviewed the need for their programs in the countries they operate in.

Foster Parents Plan has a record of actively reviewing the need to continue in each country and phasing out of those countries it felt were no longer in great need. FPP has terminated its operations in 11 countries, including Hong Kong, and is currently phasing out of Greece, its last European country.

Both AKF and HAP programs have changed over the years with the needs of the country and/or interests of the Korean Government. For example, in coordination with the Ministry of Home Affairs, AKF is currently assisting a village under the Korean Government's national village improvement program which is designed to raise the economy in rural areas. The Korean government has requested HAP's assistance in placing children for adoption in conjunction with the closing of a number of orphanages. Also, HAP is now required to increase its emphasis on finding adoptive homes within Korea.

Christian Children's Fund and Save The Children Federation are, according to agency officials, gradually phasing out of countries where Governments are willing and able to do what the agencies have been doing. CCF, however, still operates over a dozen well developed countries and it is SCF's intent to remain active on all major continents.

Selection of recipients

Selected visits we made to projects and sponsored families home verified that the voluntary agencies' recipients were generally living among the poorest areas of the cities or in rural areas with extremely low standard housing. Many homes we visited did not have any running water or sanitary facilities.

CCF, FPP, and SCF generally select areas to work in based on the needs of the families in the area and the lack of government services. All three of these VOLAGs had general criteria for selecting children or families to be helped.

AKF officials do not have any specific criteria for selecting new projects but rely on their own knowledge of the needs and interests of the Korean Government and the interests of potential supporters.

HAP program is primarily limited to orphans and abandoned children. These children are referred to HAP by the police, orphanages, and other agencies.

* * * * *

The following five sections provide more detailed information on the operation of the five voluntary agencies we reviewed.

AMERICAN-KOREAN FOUNDATION

TAB B

AMERICAN-KOREAN FOUNDATION

BACKGROUND

The American-Korean Foundation (AKF) was incorporated August 18, 1952, as a non-profit organization under the laws of the State of New York. It was established by a group of U.S. and Korean leaders who had a mutual interest in Korean people and the role of Korea in the free world. AKF's corporate statement of purpose includes "To help in the achievement of educational, health, rehabilitation, economic, and general welfare programs for Korea; to exemplify the mutual good-will and friendship felt by the American and Korean peoples; and to extend more broadly a mutual understanding of Korean and American history, culture, customs, and democratic institutions." About 17 percent of AKF services apply directly to children or youth. AKF registered with the Advisory Committee in January 1953.

Initially, AKF's efforts were of a relief nature. Medical supplies, food, clothing, blankets, and tents were shipped to meet the most urgent needs of a war torn nation. Later, AKF undertook such projects as teaching bench terracing to create new farmland and providing livestock and seed to revitalize agricultural production. Over the years, AKF has been involved in numerous projects in the areas of agriculture, health, education, community development, and social welfare.

AKF's major projects in fiscal year 1973 included support for the Gordon S. Seagrave Memorial Hospital, the Morae Nae Civic School, the Harry S. Truman Student Counseling Center, and the Korean 4-H program.

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In addition, smaller projects such as an earth block housing project for refugees were carried out. AKF also acted as an agent in the transfer of funds from contributors to non-AKF projects.

In 1973, AKF expanded its program into South Viet Nam. AKF officials told us that initially they will be working primarily with children, but eventually they hope to provide a wide range of services similar to those in Korea.

We visited activities in connection with each of the four major projects in Korea. These projects received over $155,000 in 1973, or about 37 percent of AKF's cash disbursements in Korea.

HOW AKF OPERATES

The AKF headquarters office is located in New York City. This office (AKF/NY), which has a staff of 16, supervises the Korean and Vietnamese field offices and solicits contributions of both cash and commodities for AKF programs. The overseas offices had 27 paid employees at the time of our review. AKF management personnel received salaries ranging from $9,356 to $20,000 per year.

The chairman of AKF's board of directors also received a salary for serving as the chief executive officer. Advisory committee registration requirements state that board members must serve without compensation. AKF officials told us they were not aware of this requirement, and had furnished the Advisory Committee with revised by-laws permitting compensation. They told us they will discontinue the salary as of June 30, 1974, and will revise their by-laws to conform with Advisory Committee requirements.

The cash receipts and disbursements of both AKF/NY and AKF/Korea audited annually by CPA firms. Certified financial statements do not include fixed assets. The AKF/NY statement includes amounts representing the value of transactions in donated goods. We noted that the firm which performed the Korean portion of the audit made no verification of assets on hand, nor were transactions involving donated goods examined despite their significance. AKF officials advised us that all assets will be included in future financial statements.

AKF reported fiscal year 1973 support and revenue of about $2,258,000 as follows:

Direct contributions	$ 635,000
Indirect contributions (allocated by federated fund-raising organizations)	593,000
Donated merchandise	947,000
Grants from government agencies	48,000
Investment income	20,000
Miscellaneous revenue	15,000
Total support and revenue	$2,258,000

AKF utilizes radio, television, and magazine advertising as well as direct mail to solicit funds for its programs. AKF does not seek sponsors to help specific children. We noted that, although AKF is not children-oriented, fund raising brochures generally highlight children.

Of $635,000 reported by AKF as direct contributions in fiscal year 1973, about $222,000 was recorded as cash contributed in Korea. We determined that nearly $118,000 of this amount did not represent contributions. Included in the $118,000 were amounts representing

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the conversion of Korean currency to dollars for Koreans studying abroad or participating in out-of-country conferences, loan repayments, and other non-income items.

Designated fund contributions represent amounts given to AKF with a request that they be forwarded to specific individuals, orphanages, or other non-AKF affiliated organization. Contributions received in fiscal year 1973 included $11,617 in designated funds. These contributions are forwarded without any deduction for handling.

AKF participates in the Combined Federal Campaign/International Services Agencies fund raising campaign. Income was reported at about $593,000 in fiscal year 1973, representing gross receipts of $702,000 less fund raising expenses of $109,000.

The other major source of support for AKF was donated merchandise which amounted to over $946,000 in fiscal year 1973.

AKF received $47,492 in U.S. Government excess property and $48,221 in U.S. Government freight reimbursements in fiscal year 1973.

HOW THE RESOURCES WERE USED

AKF reported total expenditures of $2.1 million in fiscal year 1973 broken down as follows:

	Amount	Percent
Program services	$1,671,000	78.5
Management and general	121,000	5.7
Public relations and fund raising	337,000	15.8
	$2,129,000	100.0

Public relations costs ($80,522) as well as the cost of operating the Korean field office ($85,480), were reported as program services.

AKF programs are classified into four areas--health, education, welfare, and special projects. Special projects includes the agricultural programs. In fiscal year 1973, AKF reported the following expenditures for these activities:

Program area	Cash	Merchandise	Total
Health	$167,676	$708,906	$ 876,582
Education	242,400	114,597	356,997
Welfare	24,136	27,648	51,784
Special projects	293,316	7,113	300,429
	$727,528	$858,264	$1,585,792

The largest share of AKF's health expenditures were for the operation of the Seagrave Memorial Hospital. The hospital was established to serve a rural area of Korea, and is now beginning to function independently. Other medical activities have included bringing children to the United States for open heart surgery, providing mobile health teams to isolated, doctorless areas, and support of a children's center.

Education projects included support of the Morae Nae Civic School in a refugee slum. Free primary schools are now available in the area and emphasis will be placed on vocational training and community service programs. Scholarships, counseling, and a job referral service are also major parts of AKF's educational activities.

AKF had provided some funding to a number of orphanages. Some of these were not AKF projects but received funds contributed to AKF for transmittal to them. AKF did not exercise any control over how these designated funds were used, serving only as transmittal agent. We were advised that AKF plans to discontinue accepting designated funds for non-AKF projects unless AKF personnel are personally knowledgeable about the project.

Although AKF's program is geared to self-help rather than relief, aid is given for emergencies, such as floods, fires, droughts, and other disasters. AKF also operates a demonstration farm to train young Koreans, including 4-H Club leaders, in modern farming techniques. The 4-H Club program, strongly supported by AKF in prior years, has now been taken over by the Republic of Korea Government.

One special project includes support of the National Tae Kwon Do (Karate) Association, established in conjunction with a nationwide program to improve the physical condition of Korean youth. Another such project involves participation with the Robert T. Wilson Foundation in helping mixed-race children.

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CHRISTIAN CHILDREN'S FUND

TAB C

CHRISTIAN CHILDRENS FUND

BACKGROUND

Christian Children's Fund (CCF) is a nonprofit, nondenominational child welfare agency. It was originally incorporated in 1938 under the name of China's Children Fund, Inc., to assist children suffering as a result of the Sino-Japanese War.

CCF's primary purpose presently is to secure contributions from people throughout the world, and distribute and administer such funds for the nutrition, clothing, shelter, and instruction of indigent children. CCF registered with the Advisory Committee in 1946.

CCF assistance is provided two ways; through CCF owned and operated projects, and by monthly payments to about 1,100 independently owned and operated affiliated projects. In addition to orphanages, CCF contributes toward meals, clothing, books and tuition for indigent children living at home. CCF funds generally provide partial, rather than full support for the child. As of January 1974, CCF was assisting 188,000 children in 62 countries.

Receipts for fiscal year 1973 totaled $24.9 million, including sponsor and non-sponsor contributions, restricted funds, interest, dividends, and other income. CCF had not received any P.L. 480 commodities, reimbursement for ocean freight shipments, or other direct U.S. Government assistance. It has received some P.L. 480 food indirectly through other registered agencies.

Expenditures for fiscal year 1973 were reported in its audited financial statements as follows:

	Amount	Percent
Child care program services	$20,672,380	81.4
Supporting services		
Management and general	2,324,740	9.2
Fund raising	2,390,410	9.4
Total expenditures	$25,387,530	100.0

CCF headquarters is located in Richmond, Virginia, and has a staff of 166 employees. CCF also employs about 960 persons in 16 field offices and 49 projects. Salaries of CCF's executive staff ranged from $16,933 to $23,706 in fiscal year 1974. Field office directors' salaries ranged from $6,200 to $13,611.

GAO visited CCF activities in Colombia, Greece, Hong Kong, Kenya, Mexico, and the Philippines. The amount of funds remitted to these countries for field office and project activities in fiscal year 1973 was as follows:

Country	Amount remitted to CCF projects	Amount remitted for field office expenses	Sponsored children (Jan. 1974)
Colombia	$ 136,929	--	1,218
Greece	70,819	--	634
Hong Kong	1,482,614	$185,427	13,519
Kenya	35,360	62,097	446
Mexico	1,495,824	161,219	15,058
Philippines	1,321,453	123,076	22,076
	$4,542,998	$531,819	52,951

These six countries accounted for about 26 percent of CCF's overseas expenditures. We also performed a limited review of CCF operations in Korea.

HOW CCF OPERATES

Source of income

About 85 percent of CCF's annual receipts are obtained through a sponsorship program. Under this program, individuals and groups are asked to send $12 per month to CCF for the partial support of an individual child. In return, the sponsor receives a case history and photograph of the child and may correspond with or even visit the child. The sponsor also may send additional funds to CCF designated to be used for the child for a specific purpose, such as Christmas and birthday gifts. CCF has sponsors for about 183,000 children.

The following table, taken from the financial statements, shows the sources of funds received during fiscal year 1973.

Sponsorship contributions	$19,507,532
Sponsors' special gifts (designated funds)	1,722,034
Cash contributions	1,011,[illegible]
Bequests	433,505
Other restricted contributions	24,474
Contributions from CCF of Canada	1,379,[illegible]
Proceeds from sale of property	357,037
Interest	189,[illegible]3
Dividends	49,9[illegible]8
Rents	3,582
Gain on foreign exchange	20,771
Contributions for CCF homes construction	7,640
Miscellaneous	19,27[illegible]
Grants from foreign governments	1[illegible]
	$24,[illegible]

CCF solicits funds through advertisements in magazines, television, radio, newspapers, billboards, and through direct mailing. CCF spent about $2,400,000 for fund raising activities in fiscal year 1973, most of which was budgeted for magazine advertisements. These advertisements generally depict the living conditions of a needy child and appeal for funds by stressing the child/sponsor relationship. The magazine advertisements do not depict actual cases or the situation of the specific child portrayed. CCF officials informed us that actual cases are not used to protect the privacy of the children. CCF also obtains funds from the CCF Denmark field office and CCF of Canada. CCF of Canada, an organization independent of CCF, obtains sponsors for CCF. CCF received over $1.3 million from CCF of Canada in fiscal year 1973. CCF of Canada incurred advertising costs totaling about $71,000. These fund raising costs were not identified in CCF financial statements or reported to the Advisory Committee.

As shown above, CCF received interest and dividend income of $189,883 and $49,968, respectively. The interest income was obtained primarily from certificates of deposits and savings accounts totaling $3.7 million and investments in corporate bonds with a market value of $911,000. Dividend income was derived from investments of $1.6 million in common and preferred stocks.

As of June 30, 1973, CCF had a general fund surplus of $3.2 million. Officials at CCF headquarters told us it was necessary to maintain this surplus of funds for various contingencies such as the sudden cancellation of a substantial number of sponsors.

Selection of children

General criteria established by CCF limits CCF initial support to those children in need under 14 years of age. Criteria used in defining need varied with the project and country. One field office and project visited established minimum family income levels to be used in selecting children, while others relied on inspecting living conditions of the family and/or appearance of the child.

Some project directors did not research the needs of certain children before admitting them to the CCF program. For example, at one project in Mexico, we were told children were admitted without an evaluation as to their need for assistance. Visits to children's homes by the project's social workers at a later date resulted in a determination that 100 children were not sufficiently needy. At two other projects in Mexico, 20 children had been sponsored for as much as 27 months before CCF social workers learned that they were not sufficiently needy.

While CCF criteria requires projects to select needy children, these may not necessarily be the children with the greatest need. For example, the Philippines field office supervisor told us that he endeavors to help only children who have a potential to increase their standard of living. He told us that sponsors are pleased with a success story and are more likely to continue contributing to CCF after sponsoring a child who has worked his way out ot poverty. In a CCF subsidized school in

Colombia, the project director informed us that the most needy children in the area were not selected for CCF assistance because they are often undernourished and, as a result, cannot study effectively.

Selection of countries and projects to be assisted

We were informed by CCF Headquarters officials that CCF is continually evaluating need for its services in various countries and that, as a result, CCF is currently phasing out projects in Europe and Japan because CCF determined the governments of these countries were willing and able to assume CCF projects. Documentation demonstrating the need for CCF assistance in Hong Kong was not available at CCF headquarters. Without such an analysis, CCF cannot be assured that its resources are used to meet a need that cannot be satisfied by other sources.

CCF provided funds to some projects without an adequate evaluation of the projects' need for assistance. In Mexico, CCF was subsidizing two orphanages that have their own fund raising capabilities in the United States, Canada, and Mexico. No analysis of financial need had ever been made by the field office, and the orphanages were operating before CCF funds were available. CCF was contributing about 8 percent of the annual expenditures of the orphanages. These orphanages had been affiliated and receiving CCF funds for 3 years.

We found that at least 10 children in an affiliated project in Colombia had two sponsors; one from CCF and one from Save the Children Federation. The institution was also receiving funds from a local charity. CCF was not aware that the project was receiving support from another organization's sponsorship program. The project had not submitted reports of its financial condition to CCF.

FUNDS SENT OVERSEAS

Generally, controls over expenses of the field offices located overseas were adequate. However, we noted numerous cases where control over funds administered by overseas affiliated projects were not strong enough to assure proper use of contributions. These weaknesses included a lack of project inspections and documentation which resulted in such deficiencies as (1) full amount of designated gifts not being distributed in accordance with CCF's policy and procedures and (2) lack of accurate information on the use of CCF funds or the status of sponsored children.

Field office accounts

In carrying out the CCF program, CCF maintains 16 field offices. These field offices, besides being responsible for selecting, monitoring, and evaluating projects, are responsible for developing case histories of children, maintaining case files on children, and handling and translating sponsor/child correspondence. CCF headquarters reimburses field offices monthly for field office operating expenses. Control over the use of these funds was generally satisfactory. We did note, however, an instance in one country where controls over funds generated within the country could be improved.

One field office was maintaining separate operating accounts without informing CCF Headquarters. About $2,200 had been obtained by the field office from selling CCF equipment, charging affiliated projects registration fees for conferences, and not reporting contributions received to CCF Headquarters. These funds were being used primarily to finance conferences and travel advances unauthorized by CCF Headquarters. This field office had not been subject to an on-site audit since it was established in September 1971.

Control over designated fund accounts

CCF sponsors are informed that they may send money to be used for special gifts such as birthday and Christmas presents. The sponsors are also told that the entire amount will be spent for the designated child. CCF received $1,722,000 in designated fund contributions (DFs) for this purpose during fiscal year 1973.

These special gifts were, in most cases, used to purchase clothing, shoes, and toys for the child as specified by the sponsor. CCF had established adequate procedures for handling designated funds but we noted a number of instances where these procedures were not being followed.

The procedures require projects to maintain receipts for the items purchased and thank you letters to be sent to the sponsor from the child citing the amount of money received and the gift purchased. These procedures often were not followed and CCF was unaware of this deficiency.

In one CCF affiliated project in Kenya, only about 25 percent of all DFs received for the period September 1973 to March 1974 had been passed on to the designated children. The sponsor of one child in this project sent $34.00 to be used as a special gift. The child received $4.28 and the project retained the balance. At another project in Kenya, DFs were being used to provide other children, including those not receiving DFs, with special gifts. Officials at both of these projects had not followed CCF procedures for distributing DF's, because of their concern about providing some children with gifts while others received nothing. At the first project the balance of the DF's was retained by the project, while in the second case all DF's were spent, but not just on the designated children. Both of these situations were occurring without the knowledge of CCF.

We also found that one project in Colombia had retained DFs up to 8 to 9 months despite periodic reminders by the CCF field office.

Some affiliated projects we visited were not retaining receipts to support designated fund purchases, as required by CCF.

Control over project funds

CCF had not developed guidelines for accounting for all affiliated project funds; therefore, accounting procedures varied from project to project. Some projects did not maintain records to facilitate accounting for CCF funds. CCF did not regularly inspect projects to examine records or to verify the existence of sponsored children. As a result, we found examples where funds were not being spent and were not being used to benefit sponsored children.

In a project in Kenya, we found that only about 48 percent of the CCF funds received for the period February 1973 through February 1974, were expended. The project records showed that the remaining funds had not been spent. This occurred apparently because CCF was unaware of the costs and types of services provided by the project.

In one project in Greece, CCF contributed $25,000 (in two installments) for the construction of a school. The last installment was made in March 1969. The school was opened in 1968, but closed in 1973. At the time of our visit in March 1974, the records showed that about $6,700 of CCF funds remained unexpended and in a bank depository. No reports accounting for the use of CCF funds had been submitted to CCF, nor was such a report requested.

If a sponsored child leaves a CCF project, the project is required to report this to CCF. We found significant delays in reporting children leaving the project to CCF by affiliated projects.

An example of untimely reporting of children leaving a project occurred in Greece. In February 1974, this project was receiving an $8.49 monthly subsidy from CCF for each of 172 sponsored children. The subsidy was intended to finance attendance at schools operated by the project. At the time of our visit in March 1974, we found that one of the schools had been closed since September 1973 and that CCF had not been notified of the closure. For the period September 1973 through March 1974 an average of 124 of the 172 children were no longer attending schools receiving CCF assistance. A project official informed us that names of children no longer in the project are reported to CCF only once per year, despite a CCF requirement that children leaving a project must be reported to CCF Headquarters within 30 days. None of the sponsored children that left the project's schools had been reported to CCF. The project expended part of the subsidies received from CCF during this period for the benefit of these children. At the time of our visit in March 1974, the records showed that this project had retained $6,668 of subsidy funds unspent.

In February 1974, we found that CCF had distributed subsidies to a Hong Kong school for support of 118 children that were no longer enrolled. The explanation given by the project was that these children had not returned to school at the beginning of the school year in August 1973 because of graduation or for other reasons. The school contended that these children were not reported to CCF because of clerical oversight and agreed to refund any subsidies received for CCF sponsored children no longer enrolled in school.

CCF officials told us that they discontinued support to some of the affiliated projects where we found problems and were following up on the others to determine what action to take.

Project audits and lack of inspections

CCF field offices are responsible for monitoring and inspecting CCF affiliated projects. We found that CCF field offices often were not fulfilling assigned functions. For example, of 68 affiliated projects under supervision of the Kenya field office, inspection reports had been prepared for only 6 projects prior to our visits in March 1974. In Hong Kong the field office had prepared evaluation reports on only 11 of 21 affiliated projects, and no evaluation visits had been made since

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1972. In the Philippines evaluation reports were not available for 46 of the 78 CCF funded projects. At the time of our review in February 1974, inspection reports were not available for 44 of the 147 CCF affiliated projects in Mexico. In addition, we examined some project inspection reports prepared by Mexico City field office personnel and noticed that in some cases, financial records were not examined and no follow-up made on children absent at the time of the inspection.

On March 15, 1973 CCF instituted a requirement that field offices, (except for Mexico, which fell under this requirement in August 1973), perform annual financial inspections of each residential institution receiving a CCF subsidy. We found indications that these reports had not been prepared. For example, CCF subsidized 62 residential institutions in Mexico, but as of February 1974, financial inspection reports had been prepared for only 11 institutions. We selected a total of 9 institutions in Kenya and the Philippines and found that only one report had been prepared.

Reasons why CCF field office personnel experienced difficulty in monitoring affiliated projects and institutions include (1) the large number of projects dispersed over a broad geographical area, and (2) the lack of available personnel to perform program and financial inspections.

For example, Mexico City field office is responsible for 167 projects in six countries, including Colombia which is about 1,960 miles from the field office. The field office only had two employees actively involved in inspecting projects. The Kenya field office also had only two employees, the director and the assistant director, who were available to make inspections. The Kenya field office is responsible for 68 CCF projects in 10 countries in Africa, 5 countries in Europe, and 4 countries in the Middle East.

BENEFITS RECEIVED

Benefits provided to the child varied from country to country and project to project. We found that CCF sponsorship funds were being used to provide a wide range of services to children. For the most part, CCF projects were designed to either (1) supplement overall support for orphans and indigent children living in residential institutions, (2) provide children with education and related school supplies and clothing, or (3) supplement the child's support while living at home through noontime meals or distributing funds for food to families of needy children.

To help carry out its program, CCF field offices develop case histories of children, maintain case files on children, and handle and translate sponsor/child correspondence. Some clerical and administrative functions are also required by the projects in order to maintain CCF records. The cost of running field offices' operations for fiscal year 1973 was $1.6 million, or about 9 percent of the funds sent overseas.

CCF received an average of $11.77 per sponsored child per month during fiscal year 1973. Of this $11.77, an average of $8.10 was remitted to the affiliated projects. The remainder was used primarily to pay headquarters' and field office expenses.

Under CCF guidelines, some affiliate projects are allowed to apply $1 per sponsored child per month toward project administrative expense. Allowable expenditures for administration expenses of other CCF projects were expressed in different and less explicit terms. For example, CCF agreed to allow affiliated schools in Hong Kong to expend 50 percent of the monthly subsidies for administration costs and teachers' and social workers' salaries, and 50 percent for the children's material needs and social services.

The administrative functions performed by CCF field offices and projects are reported on CCF's financial statements as program costs.

We found instances where the services provided to sponsored children were significantly diminished because CCF funds were used to provide non-sponsored children with benefits without the sponsors' knowledge.

CCF officials stated that it is their policy to sponsor all needy children in a project but that in some cases new children are added faster than sponsorships are available. They agreed that sponsors should be made aware that their funds may benefit others besides the sponsored child.

FOSTER PARENTS PLAN

TAB D

FOSTER PARENTS PLAN

BACKGROUND

Foster Parents Plan (FPP) is a non-profit, non-sectarian, non-political child welfare agency working among the poor societies of the world. It was started in 1937 to support children who were refugees of the Spanish Civil War and expanded in 1939 to care for children suffering as a result of war in Europe. During the 1950s, FPP initiated programs in the Republic of Korea, Vietnam, and Hong Kong.

By the late 1950s and early 1960s, the economy of Europe had begun to improve to where its countries could again care for their own needy. Thus, most European FPP programs were phased out and FPP's focus turned to South America and Asia. FPP's last European program will be closed within a year. Its program in Hong Kong has also been closed due to that country's improved economy.

Over the years, FPP has gradually shifted from a welfare organization to a social service organization, from an emphasis on the child to care for the entire family. FPP's current goals are to (1) help children in sponsored families get an education, and (2) help the parents make the most of their individual talents and abilities so they can support their families without the aid of any welfare organization. FPP attempts to accomplish these goals through various programs designed to provide an education, improved health and housing, vocational training, counseling and guidance, etc.

FPP selects countries with needy families that are not receiving assistance from their own Governments. The host country must assure that FPP will be free from political or religious interference in carrying out its program. We noted that in all cases FPP programs were licensed or otherwise approved by the host Government in those countries we visited. It is FPP's stated policy to remain in a country or area only until the local people are able to take on the welfare tasks themselves. We were told that FPP's program in Bogota, Colombia, is being reduced for this reason.

FPP had programs in 10 countries during fiscal year 1973: Bolivia, Brazil, Colombia, Ecuador, Greece, Hong Kong, Indonesia, the Republic of Korea, the Philippines, and Vietnam. As of June 30, 1973, over 51,000 children were being sponsored in these countries.

GAO visited FPP field offices and selected activities in Colombia, Greece, the Republic of Korea, and the Philippines. The following table shows the size of these programs in fiscal year 1973:

Country	Average number of children sponsored	Approximate FY 1973 expenditures
Colombia	7,477	$1,352,000
Greece	3,080	687,000
Korea	7,118	1,516,000
Philippines	7,928	1,462,000

These four countries accounted for 50 percent of all FPP sponsored children and overseas expenditures.

FPP registered with the Advisory Committee on Voluntary Foreign Aid in 1948.

HOW FPP OPERATES

FPP has an "international" headquarters which is the parent organization for "national" offices in the United States, Canada, and Australia. The international office coordinates the national offices and directs overseas field offices. Although the United States national office is the only FPP organization registered with the Advisory Committee, FPP International provides financial and program data to the committee on the operation of all its affiliates and field offices.

The FPP United States national office and international headquarters share common office space in Warwick, Rhode Island. There were a total of 113 paid employees in Warwick and 934 paid employees in overseas field offices on June 30, 1973. Field office directors are North American or Australian citizens; almost all other employees are local nationals.

Salaries of FPP management personnel in Warwick ranged from $18,000 to $27,333. Field office directors' salaries ranged from $7,700 to $16,500.

National offices seek and service financial donors (foster parents). A foster parent is any individual or group of individuals that agrees to contribute funds towards the support of a "foster child" and his family. To obtain foster parents, FPP conducts a continuous advertising campaign on radio and television, and in magazines and newspapers. No direct mail campaigns are conducted. Individuals responding to advertisements are provided with a question and answer brochure which describes how FPP operates.

All foster parents initially receive a photo of their foster child, a case history with details about the child and his family, and background on the child's country. The child is expected to send a letter to the foster parent monthly and if the foster parent wishes to write, the letters will be translated by FPP. An annual progress report prepared by the foster child's social worker is also furnished the foster parent. A photo of the child's family is also usually sent to the foster parents once a year. All foster parents also receive a copy of FPP's annual report which includes a summary of the latest CPA audit report.

A foster parent may designate the sex, age, and country of the child he wishes to help. There is no obligation on the part of the foster parent to continue to provide support to the program.

FPP promotion materials state that foster children and their families are selected from among "the very neediest" or are "desperately needy." We found that some FPP field offices will generally not accept the most needy families in an area because they feel they are less likely to achieve FPP's goal of becoming self-sufficient.

FPP has changed its emphasis from helping a child to helping a family. Its promotional material continues to focus on the child, particularly in photographs. The appeal is to be a foster parent of a boy or girl. However, follow-up material provided to prospective foster parents explains that sponsorship funds go to the entire family.

HOW THE RESOURCES WERE USED

Overseas programs, supervised by various field offices, are financed primarily by sponsorship funds from the United States, Canada, and Australia. During fiscal year 1973, FPP received about $12.1 million as follows:

Sponsorships	$ 9,672,000
Gifts for children	1,650,000
Other contributions, bequests	723,000
Government refunds	32,000
Investment income	64,000
Less loss on sale of investments	(7,000)
Total revenue	$12,134,000

The $1.65 million received from foster parents as designated fund gifts for the children were forwarded to the children with no deduction for handling. FPP received about $1,500 from the United States Government for the reimbursement of ocean freight shipments.

In addition to cash income, FPP receives various types of contributions in kind and contributed services. For example, in Colombia, the national family planning organization provided FPP with family planning literature, supplies, and the services of a gynecologist. In Korea and Colombia, FPP obtained food staples from other voluntary agencies. These contributed goods and services help FPP provide additional benefits to foster children and their families. The value of contributed goods and services was not always reported in the financial statements.

During fiscal year 1973, FPP expenditures totaled about $12.1 million, as follows:

	Amount	Percent
Material aid and services to children	$ 8,814,000	72.9
Supporting operations	2,719,000	22.5
Promotion and advertising	562,000	4.6
Total	$12,095,000 1/	100.0

Of the $8.8 million spent for material aid and services, about $5.9 million was for monthly cash grants and gifts from foster parents. The remaining $2.9 million was spent for other program services, such as, health, education, and community development.

FPP's budget for fiscal year 1974 showed that about 68 percent of the sponsorships were expected to come from the United States, 26 percent from Canada, and 6 percent from Australia. These sponsors provided funds for support of a foster child and his family in the following manner:

1/ Does not include Capital Expenditures of $252,952.

Country of Sponsor	In U.S. Dollars Annual donation	 Monthly equivalent
United States	$192	$16.00
Canada	204	17.00
Australia	245	20.42

From the funds donated by sponsors, field offices are budgeted $118 per child per year for material aid and services. Some of the remaining funds were also used by some field offices to provide special services to FPP families such as paying for eyeglasses, funerals, or other extraordinary expenses. For example, FPP in Colombia allocates $4 a year, in addition to the $118, for special services. The remaining amount is used for supporting operations and promotion and advertising at the field, national, and international offices.

Generally, the family of the foster child receives the benefits and all family members share with the child. The amount of material aid and services provided to foster children and their families, however, varies from one location to another. For example, in Greece, each family receives $9.33 in cash each month. In Colombia, each family receives only $6.25 in cash, but the foster child and his family are eligible for medical and dental care, education benefits, and other services. In Korea and the Philippines, the cash grants ranged from $5.70 to $8.20, depending on the area where the family lived.

Neither foster parent contributions nor FPP programs are intended to provide total support for any child or family--they only supplement the family's own resources. Below is a schedule showing the various amounts budgeted for fiscal year 1974 for each family in the countries we reviewed:

Material aid and service benefits	Amount of funds applicable to each category (In U.S. dollars)			
	Colombia	Greece	Korea	Philippines[1]
Monthly cash grants	$6.25	$8.00	$8.00*	$7.44*
Health services	2.25	-0-	1.28	.89
Education & training	.83	-0-	-0-	.20
Community development	.50	-0-	.35	.04
Other	-0-	1.83	.20	1.26
Total	$9.83	$9.83	$9.83	$9.83

[1] The figures in this column were averaged to arrive at a monthly amount.

*Monthly cash grants range from $5.70 to $8.20 in Korean and from $7.25 to $8.00 in the Philippines.

Families in Colombia, Korea, and the Philippines also receive counseling from social workers. FFP also provides translation services to families in all of the countries we visited.

FPP's financial statements are audited annually by CPA. Audit work is also done at overseas field offices.

HOLT ADOPTION PROGRAM

TAB E

HOLT ADOPTION PROGRAM

BACKGROUND

The Holt Adoption Program (HAP) is a nonprofit organization established for the purpose of arranging intercountry adoptions. The program was started in 1956 in the aftermath of the Korean War to meet the needs of homeless children, especially American-Korean children who faced prejudice and discrimination. Over the years the program has expanded to include orphans with full Korean parentage as well as a few children from other countries. In 1973, HAP established a program to assist Vietnamese children.

HAP's stated overall purpose is to "wherever practicable, * * * endeavor to provide each individual child of the world who is without parents his rights to parents and family of his own." Specific goals are to (a) improve the physical and emotional care of foreign children potentially adoptable, with special services to handicapped children in need of special effort to obtain adoptive placement, (b) improve the physical and emotional care of unadoptable children, with a plan for transition to indigenous care, and (c) provide preplacement applicant-family screening and counseling, adoption processing, and post placement counseling.

The Holt activity is organized into two Oregon corporations (Holt Adoption Program, Inc., and Holt International Children's Fund, Inc.), a Korean corporation (Holt Children's Services, Inc.), plus an unincorporated entity (Holt Children's Services of Viet Nam), in South Viet Nam. At the time of our examination, only HAP was registered with the Advisory Committee although the Advisory Committee has been made aware of these organizations.

HAP provides the bulk of the financial support for Christian Hope for Orphans of the World (CHOW), a nonprofit California corporation with no paid employees, which receives and ships donated clothing, toys, and medicine and other supplies to orphans around the world. Ocean freight costs on CHOW shipments are paid for by HAP and reimbursement obtained from the U.S. Government. CHOW is not registered with the Advisory Committee. HAP registered with the Advisory Committee in January 1971.

Although HAP is primarily involved with arranging intercountry adoption, affiliated organizations overseas provide broader children's services. Holt Children's Services, Inc. (HCS/K) provides a wide range of children services such as in-country and intercountry adoptions, a foster home program, teenage group homes, a child care center, a physical therapy center, a hospital, and services for the retarded. HCS/K also provides counseling to unwed mothers.

HCS/K is a separate corporation with its own board of directors, but HAP provides much of its financial support and exercises management control.

HAP provides direct supervision of [illegible] activities in Viet Nam.

In 1956, HAP's first year of operation as an incorporated entity, 191 children were placed in adoptive homes in the United States. By 1973, the Holt program had grown to the following size:

Country	Approximate FY 73 expenditures	Number of children adopted	Number of children in Holt care 12/31/73
United States	$1,218,000	a	-
Korea	1,580,000	2,836	1,869
Viet Nam	77,000	7	166
Other	3,000	16	-
Total	$2,878,000	2,859	2,035

[a] The Eugene, Oregon, office arranged the placement of 1,046 of the 2,859 total into homes in the United States.

Included in HAP's fiscal year 1973 income was $6,173 received from the United States Government as reimbursement for ocean freight shipments.

GAO visited the HAP program office and teenage homes in Seoul, Korea, and its orphanage at Il San, Korea.

HOW HAP OPERATES

HAP operates out of Eugene, Oregon, from a building owned by the Holt International Children's Fund, Inc. (HICF). All board members, officers, and employees of HICF are the same as those for HAP and receive no additional compensation. Salaries for Holt management personnel ranged from approximately $11,000 to $20,000 annually. Holt

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had a staff of about 50 in Oregon, 250 in Korea, and 45 in Viet Nam as of June 1974. HICF was initially established in 1971 to serve as a fund raising and public information organization for Holt programs. It is now functioning as the coordinating organization for all Holt programs and activities. HICF is not registered with the Advisory Committee but HAP has made the Committee aware of HICF.

The Holt headquarters in Oregon, in addition to supervising overseas activities, is primarily involved in finding homes in the United States for orphans from Korean and Viet Nam. HAP has a long waiting list of parents seeking children. Currently, parents inquiring about adoption are told that unless they are interested in adopting an older or handicapped child they can expect to wait 10 months or more before receiving an application form, and another 6 months to 2 years for home studies and immigration processing before receiving a child.

Holt conducts its own home studies of prospective parents in Oregon and works through licensed private agencies and State welfare departments in most other States to place children.

HAP/HICF income for 1973 was as follows:

Sponsorships, care shares, and general contributions	$ 459,000
Processing, transportation, and other fees	1,122,000
Other	182,000
Total	$1,763,000

Approximately [illegible] percent of HAP/HICF income in 1973 derived from adoption processing, transportation, and other fees. Another 26 percent represented contributions in three classes--sponsorships, care-shares, and general. Sponsorships provide monthly contributions of $18 to help care for specific children while they are awaiting adoption. Care-shares are contributions of $5 each month designated to help provide surgery, medicines, vitamins, therapy, and other essentials to handicapped children.

Processing fees are amounts charged to parents adopting a child and, in total, are designed to cover actual processing fees and child care costs. Total fees are based on all charges in the country of origin and the cost of legal documents and other necessary arrangements. Individual family fees are based on family income and range from $240 to $1,000. The variable adoption fee is used because HAP officials feel that families with lesser income can provide as good a home as those with higher incomes. Thus, individual families may pay more or less than the true cost of adopting their child. On balance, the fees appear adequate to recover most costs. Transportation fees are for the air fare of the child to the United States.

HAP/HICF financial statements do not include receipts or expenditures of its affiliates. HCS of Korea had the following receipts in 197[illegible], exclusive of contributions from HAP:

Contributions and bequests	$ 268,894
Fees	779,348
Investment income	8,519
Government support	25,729
Sale of assets	57,347
Other	6,638
Total	$1,146,475

Holt also does not include the value of contributed supplies or services in its financial statements.

HAP and HICF financial transactions are audited annually by an Oregon CPA. The CPA does not audit any of the overseas financial transactions. HCS of Korea has a limited audit of receipt and expenditures only made by a Korean public accountant.

HCS of Korea has not been providing Holt Headquarters with annual balance sheet showing their financial position, and the financial data furnished has not provided sufficient information for Holt to adequately control HCS financial activities.

For example, during fiscal year 1973 HCS increased its time deposits and securities from about $31,000 to $333,000. HCS financial statements, however, ~~only showed that~~ showed that only $200,000 of receipts were placed in time deposits during the year. The difference between the amount recorded and the amount actually set aside for investment purposes was reported to the home office as administrative expense.

We were told by the HCS/K Director that the large level of time deposits and securities was needed as an operating reserve for, among other reasons, large real and contingent liabilities and to finance expansion of their office building in Korea. HAP officials told us that they were aware that this operating reserve was being built up but that they were unaware that it had been reported to them incorrectly. They told us they will establish new financial reporting procedures to keep closer control over what is happening in Korea. The HCS director now plans to submit periodic quarterly balance sheets and HAP officials told us they will get annual audits of their overseas operations by a United States CPA firm.

We also noted that there were often serious lags of time (in one case up to 17 days) between the date cash income was entered in the cash receipt journal and the date that corresponding deposits were made in the bank. Holt officials advised us that this problem will be corrected.

To the extent that HAP was not completely aware of its overseas transactions, it was unable to provide meaningful financial data on these operations. The Advisory Committe has never conducted a review or audit of HAP or its affiliates.

HOW THE RESOURCES WERE USED

HAP, HICF, and HCS had expenditures as follows in 1973

	Amount	Percent
Program services	$2,159,000	75.0
Field office operations	152,000	5.3
Administration	124,000	4.3
Public relations	78,000	2.7
Capital expenditures	328,000	11.4
Other	37,000	1.3
Total	$2,878,000	100.0

Expenditures in the United States were primarily for arranging adoptions to U.S. parents. Major expenditures in Korea included $243,000 provided to Korean foster homes for care of children awaiting adoption. Foster families are required to bring the children into HCS's well baby clinic once a month for a medical checkup.

Over $359,000 was spent to operate the Il San Orphanage where HCS cared for over 400 children. Many of these children were mentally retarded or physically handicapped.

Approximately $145,000 was spent to process and care for new children brought into the program including some that lived in non-HCS orphanages. HCS contributes financial support to these orphanages until the children can be placed in adoptive homes.

Holt's program in Korea also includes providing the necessary medical care to the children. Medical cost in 1973 amounted to over $118,000.

As previously mentioned, during fiscal year 1973, HCS increased its time deposits and securities from about $31,000 to $333,000.

A HAP official told us that special gifts contributed by the sponsors for individual children are distributed without any deduction for administrative cost. Large gifts sent to individual children are used for the benefit of all of the children as well as the particular child specified by the sponsor. Holt officials told us that donors are sent a photograph of the child with the gifts purchased for himself and the other children so that they are aware of how the money was used.

Sponsorship and care-share contributions are comingled into HAP's general fund. We found, however, that more money is spent for the care of children than received from the sponsorship fees and more is spent on medical care than received from the care shares. We were also told that a reporting system is being established to assure that this money is used as intended.

SAVE THE CHILDREN FEDERATION

TAB F

SAVE THE CHILDREN FEDERATION

BACKGROUND

Save the Chilcren Federation (SCF) is a non-profit corporation that was established in 1932 to aid Appalachian children suffering from the conditions of the depression and the collapse of the coal mining industry. Later, in the 1940s, SCF began programs in Europe and the Middle East to assist children in war-weakened countries. In 1953, a program was established in Korea to assist war refugees. During the late 1960s through early 1970s, SCF expanded its programs into Latin America and four more Asian countries. As of December 31, 1973, SCF had about 27,000 sponsors supporting children, families, and communities in 18 countries. SCF registered with the Advisory Committee on Voluntary Foreign Aid in September 1948.

At the same time that SCF was expanding its activities geographically, it was also changing the nature of its programs from child only to child and family to child, family and community, and finally, to the community only.

As SCF became active in Europe and the Middle East, programs were developed around the child and his family. In 1961, the first child/family/community program was started in Korea emphasizing the three as an interrelated unit. Then, in 1972, SCF launched its High Impact Program emphasizing community development with all children in the selected community receiving benefits.

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The Community Development Foundation (CDF), a SCF subsidiary organization, was formed and incorporated in September 19[illegible]. Both corporations are administered by the same executive staff and use the same facilities. CDF is also registered with the Advisory Committee.

GAO visited SCF field offices and activities in Colombia, Greece, the Republic of Korea, and Mexico. The following table shows the size of these programs:

Country	Number of sponsorships (as of 5/31/74)	Approximate expenditures (for FY 1973)
Colombia	1,425	$152,447
Greece	1,719	250,901
Korea	2,141	384,880
Mexico	844	116,938
Totals	6,129	$905,166

These four countries accounted for about 58 percent of SCF's overseas sponsorships.

HOW SCF OPERATES

The SCF national office, located in Norwalk, Connecticut, directs and supervises four domestic and nine foreign field offices. SCF also coordinates with seven cooperating agency representatives in various countries to administer SCF programs.

SCF and CDF have a total of 111 home office employees and a staff of 164 in field offices. Salaries of management personnel ranged from $16,375 to $35,700. Field office directors' salaries ranged from $3,350 to $16,800.

Through its programs, SCF undertakes to improve the quality of life for children and others in communities and to stimulate the community's development process. SCF tries to achieve these goals by providing cash directly or through parents, community committees or schools, and by providing training and counseling in social services.

During fiscal year 1973, SCF had total receipts of $7,085,249. The following table shows the sources of SCF's income:

Receipts	Amount
Contributions:	
Sponsorship programs	$4,959,252
Self-help program	969,515
Other	147,799
Total contributions	$6,076,566
Other Receipts:	
Clothing sale	$ 736,500
Bequests	203,873
Investment income	63,563
Miscellaneous	4,657
Total other	$1,008,683
Total receipts	$7,085,249

SCF did not receive any tangible registration benefits in fiscal year 1973.

Included in sponsorship contributions was over $150,000 in designated gifts for specific children. Ten percent was deducted from these gifts for handling costs but SCF officials told us this practice was being discontinued.

As shown above, most of SCF funds (about 86 percent) came from contributions. About 82 percent of these contributions came from various sponsorship programs.

During fiscal year 1973, SCF spent $781,013, or about 12 percent of its resources for fund raising and public information activities. SCF's advertising campaign used radio, television, magazines, newspapers, and direct mail to solicit funds; magazine advertising was the most common media used. We were told by SCF officials that most ads show a picture of a child, a child's name, and a case history of the conditions under which the child lives. We were also told that the case history bears no relation to the name or picture in the advertisement. About 10 case histories of children living in a given area are given to the copywriters of the advertising agency. From these, a typical case history is compiled for a child of a country. SCF used this "typical child" concept for brochures, annual reports, and other publications. Most of SCF's fund raising activities are performed by professional fund raising organizations. Field offices perform only limited promotional or fund raising activities.

HOW THE RESOURCES WERE USED

During fiscal year 1973, SCF reported total expenditures of $6,694,025, categorized as follows:

Expenditures	Amount	Percent
Sponsorship Program Operation	$3,738,589	55.8
Clothing Operation	879,173	13.2
Fund raising	781,013	11.7
Grant to CDF	777,317	11.6
General Administrative	517,933	7.7
Total Expenditures	$6,694,025[1/]	100.0

1/ Does not include Capital Expenditures of $103,003.

The amount charged to sponsorship program operation represents 7[illegible] percent of the $4,[illegible] received as fiscal year 1972 sponsorship payments. Included in sponsorship program operation were direct aid to children, families, and communities ($2,3[illegible]3,147), plus home and field office services ($1,[illegible]5,[illegible]2). A sponsor generally provides $100 a year to support a child, family, or community. Of the $100 provided by a sponsor, the following table shows the benefits received by SCF recipients for each of the four basic sponsorship programs:

Program	Recipient	Benefits received annually
Educational	Child	$ 90
Self-help/Family	Family	90 (overseas)
Child/Family/Community	Child and family	60
	Community	40
High Impact	Community	100

The SCF educational program provides a $90 cash grant to a selected child. These funds are generally used to help pay for educational expenses. Funds provided to families under the selfhelp programs are designed to increase the family's income and economic self-sufficiency. The child/family/community (CFC) program is designed to directly aid children, their families, and communities with maximum flexibility according to allocation of funds by the various field offices. About 60 percent of CFC funds are allocated to the child and his family while about 40 percent goes to the community. The Colombia SCF field office was allocating CFC funds on a 50-50 basis. SCF's High Impact Program is aimed at providing lump sums of money to a community for social

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and economic development. These funds are received and administered by community committees for the benefit of all families residing in the area and for community projects.

The number of sponsorships to be allocated to each country is determined by SCF headquarters. SCF headquarters also determines the number of sponsorships per community. As of December 31, 1973, SCF had about 27,000 sponsors supporting various SCF programs as shown in the following table:

	Number of sponsorships applicable to each program					
Program	United States	Asia & Far East	Middle East, Europe, and Africa	Latin America	Totals Number	Totals Percent
Educational	26	713	1,614	152	2,505	9%
Self-help (Family & CFC)	15,[illegible]	1,228	1,164	1,850	19,927	74%
High Impact	1,075	2,087	622	847	4,631	17%
Total sponsorships	16,786	4,028	3,400	2,849	27,063	100%

The 16,786 sponsorships in the United States represent about 62 percent of all SCF sponsorships. Excluding United States activity, support was distributed to educational sponsorships (24 percent), self-help programs (41 percent), and high impact programs (35 percent).

SCF's fund balance for payments to be made to children, schools, and communities totaled $1,062,160 as of June 30, 1973, an increase of about $376,000 over fiscal year 1972 fund balance. SCF officials told us that this fund has grown because the organization will not provide sponsorship funds to any community until it submits a plan explaining how it intends to use the funds. Over the years, communities have been slow in submitting plans.

SCF has provided grants to its sister agency, CDF, $798,541 and $777,317 for fiscal years 1972 and 1973, respectively. These annual grants are to help CDF carry out its self-help program and are based on an amount equal to CDF's excess of expenditures over receipts. In addition to these grants, SCF also provided funds to CDF through advances or loans from its working fund. As of June 30, 1973, SCF had accounts receivable due from CDF for $116,862. We were told by a SCF official that this account is reviewed annually, and if it cannot be paid back, the annual grant is reduced. This official told us that $100,000 was written off a few years ago.

In its fiscal year 1973 annual financial statement, SCF reported administrative expenses of $517,933, or about 8 percent of total expenditures. We were told that general administrative expenses included all costs at the home office necessary to administer SCF programs. We were also told that the following costs of the home office would be charged to program services:

1. "Save the Children" book
2. Payroll services and expenses related to servicing sponsors
3. Training
4. General public and local staff education of what the program is doing
5. New York suboffice operation costs

In addition, a percentage of the operating costs of other home office departments are allocated to program services. It appears that some of these costs are more administrative in nature and should be classified accordingly.

SCF's financial statements are audited annually by a CPA. Most overseas field offices are audited biannually.